



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

November 8, 2018

Limited Internal Control and Compliance Review Management Report

James Watson, DVM
Mississippi Board of Animal Health
PO Box 3889
Jackson, MS 39207

Dear Dr. Watson:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Board of Animal Health for the Fiscal Year 2017. In these findings, the Auditor's Office recommends the Mississippi Board of Animal Health:

1. Strengthen Controls over Employee Leave;
2. Strengthen Controls to over Subsidies, Loans and Grants;
3. Strengthen Controls to Ensure Compliance with State Law over Procurement Card Purchases;
4. Strengthen Controls to Ensure Compliance with State Purchasing Laws;
5. Strengthen Controls to Ensure Compliance with State Law over Cash Receipts;
6. Strengthen Controls to Ensure Compliance with State Law over Travel Expenditures; and
7. Strengthen Controls to Ensure Compliance with State Law over Employee Insurance.

Please review the recommendations and submit a plan to implement them by November 26, 2018. 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 Animal Health to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and

Mississippi Board of Animal Health
October 4, 2018
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employees of the Mississippi Board of Animal Health throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is fluid and cursive, with the first name "Stephanie" being more prominent and the last name "Palmertree" following in a similar style.

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 Board of Animal Health for the year ended June 30, 2017. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA, and Carrie Middleton.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the 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 certain matters involving the 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 1: Agency Should Strengthen Controls over Employee Leave.

Executive Summary: Agency does not have adequate controls in place to correctly monitor or approve employee leave. Additionally, information submitted by employees is not correctly entered into the Statewide Payroll and Human Resources System (SPAHRs).

Recommendation: We recommend that the Mississippi Board of Animal Health strengthen controls over accounting for employee leave balances, including revising and clarifying the employee leave form and requiring supervisors to verify, by some method, that they have reviewed the weekly time sheets of their subordinates.

Detailed Analysis: During our review of 20 Personal and Medical Leave employee records, we noted the following:

- In one (1) instance an employee's time sheet was miscoded in SPAHRs; SPAHRs showed that she had taken 8 hours of Personal Leave although her time sheet did not reflect any leave taken. Agency should correct this error so that employee's leave is adequately reflected in SPAHRs.
- In six (6) instances, employee leave taken was not approved by a supervisor. (One instance was for Medical Leave and the other five were for Personal Leave.)
- In three (3) instances, Personal Leave reported on a time report or leave slip was not properly recorded in SPAHRs. In two of the three instances, employee leave documentation shows leave was taken, but SPAHRs reflected zero hours taken. Agency should correct these errors so that employee's leave is adequately reflected in SPAHRs.

In addition, during our review of 10 Compensatory Leave employee records, we noted two (2) instances in which an employee worked overtime on the Memorial Day holiday but was not given credit for Compensatory time in SPAHRs. We could find no evidence that the two employees had supervisory approval to earn the Compensatory Leave. However, the information reported was not correctly entered into SPAHRs.

Inaccurate leave information recorded by the Agency can result in an over or under stated leave liability for the Agency and the Statewide Comprehensive Annual Financial Report (CAFR).

Finding 2: Agency Should Strengthen Controls over Subsidies, Loans, and Grants.

Executive Summary: During our review of subsidies, loans, and grants we noted one grant recipient was overpaid in the amount of \$2,500. Good internal controls require proper procedures to ensure grants are paid in accordance with the grant agreement.

Recommendation: We recommend that the Mississippi Board of Animal Health strengthen controls over awarded grants by developing an improved system of tracking grant payments by vendor. In addition, we recommend pursuing any legal means possible to recoup the overpayment.

Detailed Analysis: During our review of subsidies, loans, and grants expenditures, we noted that MBAH mistakenly paid the Lauderdale County Animal Control shelter \$2,500 in excess of the \$4,000 "I Care For Animals" grant awarded on November 4, 2015. The award letter stated that Lauderdale County was to receive \$4,000 in total, including an initial grant payment of \$2,000. The shelter was paid the initial \$2,000 on December 14, 2015 in accordance with the award letter. The second payment should have been \$2,000 to complete the contract; however, the shelter was paid \$2,500 instead. In addition, MBAH reimbursed the shelter another \$2,000 on February 7, 2017 although the contract had been paid in full. The three payments totaled \$6,500 which resulted in an overpayment of \$2,500 to the shelter.

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.

Good internal control requires that MBAH execute payments according to signed grants and contracts.

Failing to comply with grant agreements resulted in excess subsidies, loans and grants expenditures. Improper controls could also lead to fraud, waste, and abuse.

OTHER CONTROL DEFICIENCIES & INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 3: Agency Should Strengthen Controls to Ensure Compliance with State Laws over Procurement Card Purchases.

Executive Summary: During the audit, we determined that there were either inadequate or no controls over the use of procurement cards. We noted multiple instances where purchases were not properly signed for by user and/or receipts could not be located. Additionally, we noted no evidence of independent review of purchases. Controls were so inadequate that an employee was able to use the procurement card to purchase approximately \$25,000 of personal items using taxpayer funds. This misappropriation was not detected until auditors noted it during testwork.

Recommendation: We recommend that Mississippi Board of Animal Health strengthen controls to ensure compliance with the *State Procurement Card Guidelines* by having cardholders sign or initial receipts related to procurement card purchases in order to ensure that only the authorized procurement cardholder uses the procurement card. An authorized authority should review the monthly procurement card statements and receipts to verify all charges are for bona fide government purposes. All receipts for procurement card statements should be maintained and presented to the authorized reviewing authority.

Further, we recommend that the Investigations Division at the Office of the State Auditor review any and all procurement card purchases to ensure that all payments were made in accordance with State Law and that all purchases were for business purposes. We also recommend recoupment of misappropriated assets by any legal avenues available to the Agency.

Detailed Analysis: Based on testwork performed over twenty-eight (28) procurement card transactions, we noted the following:

- Six (6) instances in which the receipts totaling \$4,386.66 were not signed or initialed by the card user.
- Six (6) instances totaling \$1,406.28 in which an employee of MBAH admitted to paying his personal utility bills with Board funds using the procurement card.
- Seven (7) instances in which receipts totaling \$4,521.92 cannot be located or verified as a legitimate business expense.
- Twenty-three (23) instances totaling \$11,156.11 in which there was no evidence of an independent review of the charges.

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 (5) of the *State Procurement Manual* requires that a list of items purchased (either in the form of a detailed sales receipt or an order description) be reviewed and confirmed in writing by the cardholder. This list should have the cardholder's printed name and/or signature. 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. Section 10.112.04 (2) of the *State Procurement Manual* requires that purchases must be for bona fide government purposes. Section 10.112.04 (12) of the *State Procurement Manual* requires that the statement, copies of receipts, logs, and dispute documents should be forwarded to the appropriate official within the agency. An appropriate official within the agency should review statements and applicable documents to assure that only proper purchases have been made and that the statement accurately reflects the charges indicated on the receipts, logs, and dispute documents.

Failure to appropriately monitor procurement card purchases can lead to waste, fraud, abuse, and potential criminal liability.

Finding 4: Agency Should Strengthen Controls to Ensure Compliance with State Purchasing Laws.

Executive Summary: During testing we noted multiple instances in which invoices for goods were either not properly documented, inspected or approved before payment was rendered. State law mandates that goods and services should be properly inspected, approved and documented prior to remitting payment of invoices.

Additionally, multiple commodity purchase invoices did not have a stamped date indicating when goods were received. Auditors also noted several instances in which payments were not made within 30 days after receipt of invoice as required by state law.

Recommendation: We recommend that Mississippi Board of Animal Health strengthen controls to ensure individuals receiving goods to date-stamp the invoices or initial and date the invoice indicating the

received date of the invoice and proper receipt, inspection and approval of the goods prior to the disbursement of funds. A record of receipt date should be visible on the invoice. We also recommend that the Mississippi Board of Animal Health strengthen controls related to contractual services expenditures to ensure that payments are made timely.

Detailed Analysis: Based on testwork performed on contractual services and commodities transactions, we noted the following problems:

- Six (6) instances totaling \$42,879.22 in which MBAH did not pay the vendor within 30 days of receiving the invoice.
- Four (4) instances totaling \$46,513.11 in which MBAH did not document a review/verification that services had been provided by/received from the vendor before being paid.
- Five (5) instances totaling \$45,059.98 in which no supervisory review was entered into MAGIC or shown in supporting documentation.
- Two (2) instances totaling \$7,200 (\$19,200 for all of FY2017) in which MBAH did not obtain a CP-1 approval from the Department of Information Technology Services when purchasing sole-source IT services (i.e., for two payments for a service provided by one IT vendor).
- One (1) instance totaling \$103.85 in which MBAH failed to secure a purchase order prior to the receipt of goods or services; the payment was not made within 30 days after receipt of goods or services; and there is only one staff member entering and approving in the system.
- Three (3) instances totaling \$1,834.30 in which MBAH staff receiving goods failed to document the received date on the invoice.

Section 31-7-305, Miss. Code Ann (1972) requires a record to be kept of the date of the receipt of the invoice and dates of receipt, inspection and approval of goods or services. In addition, Subsection 29.60.51 of the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual states agencies may use a stamp format placed on the packing slip, delivery ticket or invoice which should include the condition of the merchandise, quantity received, date, and signature of the employee receiving the merchandise from the vendor. Failure to verify goods or services received could result in payment of goods or services not yet received.

Section 31-7-303 of the Mississippi Code of 1972 states that the requisition for payment of an invoice submitted to a public body and required by law to be filed with the State Fiscal Management Board shall be filed with the State Fiscal Management Board not later than thirty (30) days after receipt of the invoice and receipt, inspection and approval of the goods or services, except that in the case of a bona fide dispute the requisition for payment shall contain a statement of the dispute and authorize payment only in the amount not disputed.

Section 7-7-23, Miss. Code Ann (1972), states that purchases made without the issuance of a purchase order shall not be deemed obligations of the state. Good internal controls should be in place to ensure timely securing of a purchase order prior to receipt of goods or services.

Good internal control provides that a supervisory review be conducted for each purchase, to help ensure a separation of duties among personnel to protect state assets.

Finding 5: Agency Should Strengthen Controls to Ensure Compliance with State Laws Cash Receipts.

Executive Summary: During our testing of cash receipts for federal payments and license, fees & permits, we noted multiple instances in which checks received at the agency were not deposited to the state treasury in a timely manner.

Recommendation: We recommend the Mississippi Board of Animal Health strengthen controls ensure collections are deposited into the agency's clearing account promptly upon receipt and transfers to the state treasury are made timely and are coded in the proper account in compliance with state law.

Detailed Analysis: During our review of cash receipts (license, fees, & permits, and federal receipts) transactions in MAGIC collected by the Mississippi Board of Animal Health during fiscal year 2017, we noted the following problems:

- One (1) instance in which funds totaling \$15,000 were not deposited to the State Treasury in a timely manner as required by the statutes. A check dated 4/26/2016 was received from a non-profit, the National Association of County and City Health Officials (NACCHO), in fulfillment of a federal grant to NACCHO; however, the check was not deposited to the Treasury until four months later on 8/23/2016.
- Four (4) instances in which funds totaling \$6,226.26 were not deposited to the State Treasury in a timely manner. MBAH generally collects checks and holds them until a large deposit can be made. For the four transactions mentioned, the oldest checks in each deposit were held for 71, 25, 21, and 20 days, respectively, before the overall deposit was made.
- One instance (1) in which a transaction, consisting primarily of veterinarian payments to MBAH for blank copies of animal health certificates, was coded incorrectly in MAGIC. MAGIC transaction # 2200084017 totaling \$2,532.63 was coded as general ledger account 43500000 (fines and penalties) instead of 43100000 (licenses and fees).

Section 7-9-21, *Miss. Code Ann. (1972)*, requires agencies to deposit funds with the state treasury by the end of the next business day following the date the funds are collected. The untimely deposit and transfer of funds may result in the loss of investment earnings and increase the risk of theft and/or misplacement of funds while held at the agency.

Finding 6: Agency Should Strengthen Controls to Ensure Compliance with State Law over Travel Expenditures.

Executive Summary: We noted isolated instances in which travel vouchers were not completed by Board personnel prior to submission for repayment. Controls over the review of travel vouchers should be strengthened to ensure forms are complete.

Recommendation: We recommend that the Mississippi Board of Animal Health strengthen controls over the reimbursement of travel expenditures to ensure compliance with the state laws and regulations set forth by the Department of Finance and Administration.

Detailed Analysis: During our review of travel expenditures, we noted two (2) instances totaling \$1,223.02 in which the payee submitting the request for travel reimbursement did not sign the travel voucher.

Section 25-3-41, *Miss. Code. Ann. (1972)* establishes guidelines for travel reimbursements of officers and employees of the State of Mississippi and of any department, institution, board or commission thereof. It also establishes that the Mississippi Department of Finance and Administration (DFA) shall promulgate rules and regulations regarding State Travel Policy.

The State Travel Policy Rules and Regulations available on DFA's website is a travel manual that serves as a quick reference for the provisions and rules of Section 25-3-41 and other relevant statutes, as well as rules promulgated by DFA in accordance with State Law.

The State Travel Policy Rules & Regulations section 106 Travel Reimbursement Voucher states, "Travel Vouchers must be typed or completed in ink and signed by the traveler. The signature is a certification by the traveler that reimbursement is being requested for actual expenses that are valid business expenses." Failing to 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 7: Agency Should Strengthen Controls to Ensure Compliance with State Law over Employee Insurance.

Executive Summary: During our testing, we noted that in most instances employees Health Insurance Authorization forms did not include information that would support their health insurance monthly billings and payroll deductions.

Recommendation: We recommend the Mississippi Board of Animal Health obtain updated health insurance authorization forms for all of its current employees, when applicable, and verify that insurance billings for all employees are accurate.

Detailed Analysis:

During our review of 10 employees' benefits at the Mississippi Board of Animal Health for the test month of May 2017, we noted eight instances in which employees' Health Insurance Authorization Forms did not include the information that would support their health insurance monthly billings. In these eight instances, either (1) the employee had not fully completed their health insurance enrollment forms because they had not selected either Base or Select health coverage as their coverage option; (2) the enrollment form completed by the employee pre-dated the state's development of Select coverage and therefore there was no documentation of whether the employee had ultimately chosen Base or Select coverage; or (3) the enrollment form could not be located for review by the auditor.

Section 25-59-15, Miss. Code Ann. (1972), states that it shall be the duty of each state agency and each appointed or elected state official to: Cause to be made and preserved records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency or office and designed to furnish the information necessary to protect the legal and financial rights of the government and of the persons directly affected by the agency's activities.

Failure to correctly document and account for insurance payroll deductions could lead to incorrect coverage granted to employees and/or incorrect withholdings from employee paychecks.

End of Report



Mississippi Board of Animal Health

James A. Watson, D.V.M.
State Veterinarian

COMPLIANCE REVIEW FINDINGS

Instructions for Responses/Corrective Action Plans

All audit findings and related recommendations disclosed in the COMPLIANCE REVIEW management letter should be reviewed and evaluated by the audited agency. As a result, the audited agency should (A) prepare a formal response and (B) develop a plan for corrective action for each audit finding.

Please return original signed responses to the Office of the State Auditor, attention of Jason Ashley.

Agencies are requested to follow the instructions listed below in preparation of the formal responses to the audit findings and corrective action plans.

- X Responses/Corrective Action Plans should be prepared on agency letterhead and addressed to the Office of the State Auditor. The heading COMPLIANCE REVIEW FINDINGS should be included at the top of the letter.
- X Responses/Corrective Action Plans should be signed by the agency head.
- X Responses/Corrective Action Plans are due to the State Auditor's Office by the due date indicated in the management letter.

For each audit finding, the agency should include the following: x audit finding heading, x response, and x corrective action plan. These items are discussed below.

- X Each audit finding heading should be listed in the same sequence as presented in the management letter. The entire finding is not required to be repeated.
- X Responses of the agency to audit findings should be included directly below each audit finding heading. For each response, the agency should:
 - a. Apply the response criteria included in Attachment A.
 - b. State whether the agency concurs or does not concur with the individual finding and recommendation. If the agency does not concur with the finding, the reason should be provided.
- X After an audit finding heading has been listed along with the corresponding agency response, the plan for corrective action should be listed using the following format. The agency should address each item in the format.



Mississippi Board of Animal Health

James A. Watson, D.V.M.
State Veterinarian

COMPLIANCE REVIEW FINDINGS

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

11/8/2018

Dear Mr. White,

Please find below the Board of Animal Health's response to the recently completed compliance review findings.

Finding 1: Strengthen Controls over Employee Leave.

Executive Summary: During our review, we noted an instance in which an employee's time sheet was miscoded in Statewide Payroll and Human Resources System (SPAHRs). Several instances were noted in which employee leave taken was not approved by authorized personnel. We also noted several instances in which personal leave reported on a time report or leave slip was not properly recorded in SPAHRs.

Recommendation: We recommend that Mississippi Board of Animal Health strengthen controls over accounting for employee leave balances, including revising and clarifying the employee leave form and requiring supervisors to verify by some method that they have reviewed the weekly time sheets of their subordinates.

Detailed Analysis: During our review of 20 Personal and Medical Leave employee records, we noted the following.

- In one (1) instance an employee's time sheet was miscoded in SPAHRs; SPAHRs showed that she had taken 8 hours of Personal Leave although her time sheet did not reflect any leave taken.
- In six (6) instances, employee leave taken was not approved by a supervisor. (One instance was for Medical Leave and the other five were for Personal Leave.)
- In three (3) instances, Personal Leave reported on a time report or leave slip was not properly recorded in SPAHRs. In two of the three instances, employee leave documentation shows leave was taken, but SPAHRs reflected zero hours taken.

Corrective Action Plan:

- a. Specific steps to be taken to correct the situation.
 - a. The time sheets have been updated using an excel spreadsheet that automatically deducts leave taken using the proper category of leave, replacing the old paper version. These are then emailed to the supervisors for inspection then emailed to the office for final review before processing in SPAHRs.
 - b. Training on use of time-sheets was conducted with supervisors so they could inform field



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personnel on proper usage.

- c. A memo was sent to all employees re-enforcing the need for accurate time-sheets and the responsibility of supervisors to make sure leave is recorded accurately.
- b. Name(s) of the contact person(s) responsible for corrective action.
 - a. Dr. Jim Watson
 - b. Beth Mudd
- c. Anticipated completion date for corrective action.
 - a. Immediate/Already completed

Finding 2: Strengthen Controls over Subsidies, Loans, and Grants.

Executive Summary: During our review of subsidies, loans, and grants we noted a grant recipient was overpaid the amount of the original grant agreement. Good internal controls require proper procedures to ensure grants are paid in accordance with the grant agreement.

Recommendation: We recommend that the Mississippi Board of Animal Health strengthen controls over awarded grants by developing an improved system of tracking interim and total grant payments by vendor.

Detailed Analysis: During our review of subsidies, loans, and grants expenditures, we noted that MBAH mistakenly paid the Lauderdale County Animal Control shelter \$2,500 in excess of the \$4,000 "I Care For Animals" grant awarded on 11-4-15. The award letter stated that Lauderdale County was to receive \$4,000 in total, including an initial grant payment of \$2,000. The shelter was paid the initial \$2,000 on 12-14-15 in accordance with the award letter. The second payment should have been \$2,000 to complete the contract; however, the shelter was paid \$2,500 instead. In addition, MBAH reimbursed the shelter another \$2,000 on 2-7-17 although the contract was already paid 100%. Because the 3 payments totaled \$6,500; the result was an overpayment of \$2,500 to the shelter under a \$4,000 grant agreement.

Corrective Action Plan:

- a. Specific steps to be taken to correct the situation.
 - a. The Grant Administrator has been assigned the additional duty to review of any payments to grant recipients prior to them being made, to prevent additional overpayments.
- b. Name(s) of the contact person(s) responsible for corrective action.
 - a. Mrs. Beth Adcock, "I Care for Animals" Coordinator
- c. Anticipated completion date for corrective action.
 - a. Immediate/Already completed



Mississippi Board of Animal Health

James A. Watson, D.V.M.
State Veterinarian

Finding 3: Strengthen Controls to Ensure Compliance with State Laws over Procurement Card Purchases.

Executive Summary: Multiple instances were noted in which purchases made with procurement cards were not signed by the cardholder or purchaser at the agency, receipts that could not be located, no evidence of independent review, and unauthorized purchases. Additionally, numerous purchases for personal expenses (Direct TV, Entergy, Atmos Energy, and C-Spire) totaling \$25,379.87 indicate high levels of waste, fraud, and abuse by Mississippi Board of Animal Health personnel.

Recommendation: We recommend that Mississippi Board of Animal Health to strengthen controls to ensure compliance with the *State Procurement Card Guidelines* by having cardholders sign or initial receipts related to procurement card purchases in order to ensure that only the authorized procurement cardholder uses the procurement card. An authorized authority should review the monthly procurement card statements and receipts to verify all charges are for bona fide government purposes. All receipts for procurement card statements should be maintained and presented to the authorized reviewing authority.

Further, we recommend that the Investigations Division at the Office of the State Auditor review any and all procurement card purchases to ensure that all payments were made in accordance with State Law and that all purchases were for business purposes.

Detailed Analysis: Based on test work performed over twenty-eight (28) procurement card transactions, we noted the following:

- Six (6) instances in which the receipts totaling \$4,386.66 were not signed or initialed by the card user.
- Six (6) instances totaling \$1,406.28 in which the MDAH Finance and Accounting/Office Director, admitted to paying his personal utility bills from the procurement card.
- Seven (7) instances in which receipts totaling \$4,521.92 cannot be located or verified as a legitimate business expense.
- Twenty-three (23) instances totaling \$11,156.11 in which there was no evidence of an independent review of the charges.

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 (5) of the *State Procurement Manual* requires that a list of items purchased (either in the form of a detailed sales receipt or an order description) be reviewed and confirmed in writing by the cardholder. This list should have the cardholder's printed name and/or signature. 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. Section 10.112.04 (2) of the *State Procurement Manual* requires that purchases must be for bona fide government purposes. Section 10.112.04 (12) of the *State Procurement Manual* requires that the statement, copies of receipts, logs, and dispute documents should be forwarded to the appropriate official within the agency. An appropriate official within the agency should review statements and applicable documents to assure that only proper purchases have been made and that the statement accurately reflects the charges indicated on the receipts, logs, and dispute documents.



Mississippi Board of Animal Health

James A. Watson, D.V.M.
State Veterinarian

Failure to appropriately monitor procurement card purchases can lead to waste, fraud, abuse, and potential criminal liability.

Corrective Action Plan:

- a. Specific steps to be taken to correct the situation.
 - a. Employee responsible for purchase card use was terminated immediately.
 - b. Old card has been cancelled, new purchasing card is in the name of the State Veterinarian, so we can make sure to have appropriate controls of use of card.
 - c. Additional personnel were added to the review of all receipts and invoices related to the purchase card.
 - i. Receptionist opens bill and stamps date
 - ii. Office administrator matches receipts and charges
 - iii. State Veterinarian reviews and signs to authorize payment and identify fund code to use.
 - iv. Invoice sent for payment
 - d. Invoice sent to DFA for payment
- b. Name(s) of the contact person(s) responsible for corrective action.
 - a. Alicia McGraw
 - b. Beth Mudd
 - c. Dr. Jim Watson
- c. Anticipated completion date for corrective action.
 - a. Immediate/Already completed

Finding 4: Strengthen Controls to Ensure Compliance with State Purchasing Laws.

Executive Summary: Multiple instances were noted in which invoices were paid for goods that were not properly documented as received and inspected prior to payment. State law mandates that goods and services should be properly inspected, approved and documented prior to remitting payment of invoices.

Multiple commodity purchase invoices did not have a stamped date indicating goods were inspected and approved upon receipt, or an initial or signature on the invoice. Auditors also noted several instances in which payments were not made within 30 days after receipt of invoice as required by state law.

Recommendation: We recommend that Mississippi Board of Animal Health strengthen controls to ensure individuals receiving goods to date-stamp the invoices or initial and date the invoice indicating the received date of the invoice and proper receipt, inspection and approval of the goods prior to the disbursement of funds. A record of receipt date should be



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visible on the invoice. We also recommend that the Mississippi Board of Animal Health strengthen controls related to contractual services expenditures to ensure that payments are made timely.

Detailed Analysis: Based on test work performed on contractual services and commodities transactions, we noted the following problems:

- Six (6) instances totaling \$42,879.22 in which MBAH did not pay the vendor within 30 days of receiving the invoice.
- Four (4) instances totaling \$46,513.11 in which MBAH did not document a review/verification that services had been provided by/received from the vendor before being paid.
- Five (5) instances totaling \$45,059.98 in which no supervisory review was entered into MAGIC or shown in supporting documentation.
- Two (2) instances totaling \$7,200 (\$19,200 for all of FY2017) in which MBAH did not obtain a CP-1 approval from the Department of Information Technology Services when purchasing sole-source IT services (i.e., for two payments for a service provided by one IT vendor).
- One (1) instance totaling \$103.85 in which MBAH failed to secure a purchase order prior to the receipt of goods or services; the payment was not made within 30 days after receipt of goods or services; and there is only one staff member entering and approving in the system.
- Three (3) instances totaling \$1,834.30 in which MBAH staff receiving goods failed to document the received date on the invoice.

Section 31-7-305, Miss. Code Ann (1972) requires a record to be kept of the date of the receipt of the invoice and dates of receipt, inspection and approval of goods or services. In addition, Subsection 29.60.51 of the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual states agencies may use a stamp format placed on the packing slip, delivery ticket or invoice which should include the condition of the merchandise, quantity received, date, and signature of the employee receiving the merchandise from the vendor. Failure to verify goods or services received could result in payment of goods or services not yet received.

Section 31-7-303 of the Mississippi Code of 1972 states that the requisition for payment of an invoice submitted to a public body and required by law to be filed with the State Fiscal Management Board shall be filed with the State Fiscal Management Board not later than thirty (30) days after receipt of the invoice and receipt, inspection and approval of the goods or services, except that in the case of a bona fide dispute the requisition for payment shall contain a statement of the dispute and authorize payment only in the amount not disputed.

Section 7-7-23, Miss. Code Ann (1972), states that purchases made without the issuance of a purchase order shall not be deemed obligations of the state. Good internal controls should be in place to ensure timely securing of a purchase order prior to receipt of goods or services.

Good internal control provides that a supervisory review be conducted for each purchase, to help ensure a separation of duties among personnel to protect state assets.



Mississippi Board of Animal Health

James A. Watson, D.V.M.
State Veterinarian

Corrective Action Plan:

- a. Specific steps to be taken to correct the situation.
 - a. While not properly documented, no invoices were paid if the goods had not been received and recognized to be in good shape. All shipments come to one location, where there are only 4 personnel present including the business officer, so communication was always made regarding the receipt and state of the goods received.
 - b. All Purchase Orders and Payments for Board of Animal Health are currently being performed at DFA to ensure proper protocols and procedures are being followed with regards to all purchases and segregation of duties.
 - c. All incoming invoices are being catalogued upon arrival and date stamped and validated to ensure prompt payment.
 - d. Dr. Watson approves all payments prior to being submitted for payment.
 - e. Currently, all goods are received at the central office and a received date stamped on the invoice.
- b. Name(s) of the contact person(s) responsible for corrective action.
 - a. Alicia McGraw
 - b. Dr. James Watson
 - c. Beth Mudd
- c. Anticipated completion date for corrective action.
 - a. Immediate/Already completed
- d. Specific reasons why corrective action is not necessary, if applicable.
 - i.
 - Four (4) instances in which MBAH did not document a review/verification that services had been provided by/received from the vendor before being paid.

Item	Doc No	Vendor Name	Amount	Posting Date
5	5100411725	TRACE FIRST LIMITED	\$ 3,900.00	9/30/2016
12	5100492732	TRACE FIRST LIMITED	\$ 3,900.00	2/28/2017
18	1901632371	MS VETERINARY RESEARCH & DIAGNOSTIC LABORATORY	\$38,403.11	6/22/2017
20	5100561536	TANN BROWN & RUSS CO PLLC	\$ 310.00	6/28/2017

- ii. Trace First is a contract agreement providing a software service used daily, so we would know if the service had not been received by the vendor. You can easily verify it sue by looking for an entry during the time period in question.



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- iii. The invoice from the Veterinary Diagnostic laboratory often reflects thousands of tests performed. It is impractical and would require an extra person to try to verify each one of the tests. Our Cooperative Agreement spells out how much money we will pay for testing, which is matched against what we are billed. Until the legislature gives us more office personnel, it is not feasible to try to match all the tests to the lab invoice.

Finding 5: Strengthen Controls to Ensure Compliance with State Laws Cash Receipts.

Executive Summary: During our testing of cash receipts for federal payments and license, fees & permits, we noted multiple instances in which checks received at the agency were not deposited to the state treasury in a timely manner.

Recommendation: We recommend the Mississippi Board of Animal Health strengthen controls ensure collections are deposited into the agency's clearing account promptly upon receipt and transfers to the state treasury are made timely and are coded in the proper account in compliance with state law.

Detailed Analysis: During our review of cash receipts (license, fees, & permits, and federal receipts) transactions in MAGIC collected by the Mississippi Board of Animal Health during fiscal year 2017, we noted the following problems:

- One (1) instance in which funds totaling \$15,000 were not deposited to the State Treasury in a timely manner as required by the statutes. A check dated 4/26/2016 was received from a non-profit, the National Association of County and City Health Officials (NACCHO), in fulfillment of a federal grant to NACCHO; however, the check was not deposited to the Treasury until four months later on 8/23/2016.
- Four (4) instances in which funds totaling \$6,226.26 were not deposited to the State Treasury in a timely manner. MBAH generally collects checks and holds them until a large deposit can be made. For the four transactions mentioned, the oldest checks in each deposit were held for 71, 25, 21, and 20 days, respectively, before the overall deposit was made.
- One instance (1) in which a transaction, consisting primarily of veterinarian payments to MBAH for blank copies of animal health certificates, was coded incorrectly in MAGIC. MAGIC transaction # 2200084017 totaling \$2,532.63 was coded as general ledger account 43500000 (fines and penalties) instead of 43100000 (licenses and fees).

Section 7-9-21, *Miss. Code Ann. (1972)*, requires agencies to deposit funds with the state treasury by the end of the next business day following the date the funds are collected. The untimely deposit and transfer of funds may result in the loss of investment earnings and increase the risk of theft and/or misplacement of funds while held at the agency.

Corrective Action Plan:

- a. Specific steps to be taken to correct the situation.



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- a. Business Officer responsible for those actions has been terminated.
 - b. Checks are logged in by one individual, date stamped by another office person and reconciled against an internal accounts receivable program.
 - c. Checks sent to DFA to be processed and deposited same day received or next business day.
-
- b. Name(s) of the contact person(s) responsible for corrective action.
 - a. Alicia McGraw
 - b. Beth Mudd
 - c. Anticipated completion date for corrective action.
 - a. Immediate/already completed

Finding 6: Strengthen Controls to Ensure Compliance with State Law over Travel Expenditures.

Executive Summary: In order to ensure compliance with state laws and regulations related to travel, the agency must strengthen internal controls over travel expenditures. Section 25-1-83, Miss. Code Ann. (1972), Mississippi Agency Accounting Policies and Procedures Manual and State Travel Manual. During our testing we noted multiple instances in which the Mississippi Board of Animal Health did not comply with states rules and regulations..

Recommendation: We recommend that the Mississippi Board of Animal Health strengthen controls over the reimbursement of travel expenditures to ensure compliance with the state laws and regulations set forth by the Department of Finance and Administration.

Detailed Analysis: During our review of travel expenditures, we noted two (2) instances totaling \$1,223.02 in which the payee submitting the request for travel reimbursement did not sign the travel voucher.

Section 25-3-41, Miss. Code. Ann. (1972) establishes guidelines for travel reimbursements of officers and employees of the State of Mississippi and of any department, institution, board or commission thereof. It also establishes that the Mississippi Department of Finance and Administration (DFA) shall promulgate rules and regulations regarding State Travel Policy.



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Corrective Action Plan:

- a. Specific steps to be taken to correct the situation.
 - a. Employees engaging in travel have been required to review the State Travel Guidelines.
 - b. Office Manager has been assigned to review all travel vouchers prior to being submitted for payment.
- b. Name(s) of the contact person(s) responsible for corrective action.
 - a. Dr. James Watson
 - b. Beth Mudd
- c. Anticipated completion date for corrective action.
 - a. Immediate/Already Completed

Sincerely,

A handwritten signature in black ink, appearing to read "James A. Watson", is written over the printed name and title.

James A. Watson, DVM, DACVPM
State Veterinarian