



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

May 31, 2018

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

Jenny Owen, Executive Director  
Mississippi State Board of Architecture  
2 Professional Parkway #2B  
Ridgeland, Mississippi 39157

Dear Ms. Owen:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi State Board of Architecture for fiscal year ending June 30, 2017. In these findings, the Auditor's Office recommends the Mississippi State Board of Architecture:

1. Comply with laws and regulations over cash receipts;
2. Comply with laws and regulations over travel; and
3. Strengthen controls over bank accounts.

Please review the recommendations and submit a plan to implement them by June 14, 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.

Mississippi Board of Architecture

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I hope you find our recommendations enable the Mississippi State Board of Architecture to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Board of Architecture throughout the review. 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 being the most prominent.

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 State Board of Architecture (MSBOA) for the fiscal year ended June 30, 2017. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA, Lee Alford, and Justin Reulet.

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, Mississippi Code Annotated (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 **INSTANCES OF NONCOMPLIANCE WITH STATE LAW** and **OTHER CONTROL DEFICIENCY**. 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.

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

**Finding 1:** Mississippi State Board of Architecture (MSBOA) Should Comply with Laws and Regulations Related to Cash Receipts

**Executive Summary:** In order to ensure timely deposits to the agency's clearing account and transfers to the Office of the State Treasurer (Treasury), the agency must comply with State laws and MAAP Manual sections related to cash receipts.

**Recommendation:** We recommend the MSBOA ensure compliance with applicable state laws and regulations by making prompt deposits of collections into the agency's clearing account and timely transfers of those funds to the Treasury.

**Detailed Analysis:** During our review of MSBOA cash receipts, we noted the following:

- Six (6) instances in which transfers to the Treasury within two (2) business days or one (1) week if less than \$1,000.
- Five (5) instances in which deposit was not made to the agency's clearing bank account within two (2) business days of receipt.

Failure to make timely transfers 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 level.

Section 7-9-21, Miss. Code Ann. (1972) states, "All state officials shall make a detailed report to the State Fiscal Officer and pay into the State Treasury all public funds, as defined in Section 7-7-1, which are required to be paid into the Treasury. Such funds shall be deposited in the State Treasury by the end of the next business day following the day that such funds are collected, except as provided elsewhere in this section."

According to the *Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual* Subsection 21.10.20, "Agencies that handle currency as well as personal checks may request

'collection' bank accounts to speed deposit, to provide a clearing period for personal checks and to avoid deposit of insufficient checks into the State Treasury. The total collections for a day should be deposited into the collection account."

**Finding 2:** Mississippi State Board of Architecture (MSBOA) Should Ensure Compliance with State Laws and Regulations Over Travel

**Executive Summary:** In order to comply with state laws and regulations related to travel, the agency must follow Section 25-3-41, Miss. Code Ann. (1972) and the *MAAPP Manual* during its review of travel reimbursements.

**Recommendation:** We recommend the MSBOA comply with Section 25-3-41, Miss. Code Ann. (1972) and *MAAPP Manual* Subsection 13.20.10 related to travel.

**Detailed Analysis:** During our review of the MSBOA's travel expenditures for Fiscal Year 2017, we noted the following:

- Four (4) instances, out of ten (10) travel vouchers reviewed, in which the incorrect mileage reimbursement rate was used for a travel reimbursement.
- One (1) instance in which a committee member did not use the most direct route when claiming reimbursement for miles traveled in a privately owned vehicle. Mileage of 458 miles was claimed when the most direct route's mileage is 330 miles, for a difference of \$69.12 in reimbursement.

According to Section 25-3-41, Miss. Code Ann. (1972), "When any officer or employee of the State of Mississippi, or any department, agency board, commission or institution thereof, after first being duly authorized, is required to travel in the performance of his official duties, the officer or employee shall receive as expenses for each mile actually and necessarily traveled, when the travel is done by a privately owned automobile or other privately owned motor vehicle, the mileage reimbursement rate allowable to federal employees for the use of a privately owned vehicle while on official travel."

The *State Travel Policy Rules and Regulations*, Section 106 *Travel Reimbursement Voucher*, states, "For travel in a privately owned vehicle, the mileage between points of travel should be made from the most direct practical route."

Failure to follow state laws and regulations could result in the incorrect reimbursement of travel expenses.

## **OTHER CONTROL DEFICIENCY**

**Finding 3:** Mississippi State Board of Architecture (MSBOA) Should Strengthen Internal Controls over Bank Accounts

**Executive Summary:** In order to ensure that State assets (i.e. cash) are effectively and efficiently managed, timely and adequate bank reconciliations should be performed.

**Recommendation:** We recommend the MSBOA strengthen internal controls over the bank account to ensure monthly reconciliations between the agency's bank statement and accounting records are performed and documented.

**Detailed Analysis:** During our review of MSBOA's monthly bank account reconciliations for Fiscal Year 2017, the auditor was unable to verify reconciliations were performed monthly due to no audit trail/documentation being produced during the agency's reconciliation process.

The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) specifies that a satisfactory control environment is only effective when there are adequate controls activities in place. Effective control activities dictate that bank account reconciliations should be performed and documented in a timely manner. Failure to reconcile the bank statements monthly could result in fraud or errors to occur without being detected promptly.

**End of Report**



## MISSISSIPPI STATE BOARD OF ARCHITECTURE

GREG L. DURRELL, PRESIDENT | J. HEATH PERRY, SECRETARY/TREASURER  
LARRY W. BISHOP | MICHAEL W. BOERNER | RICHARD H. MCNEEL

### Compliance Review Findings

June 4, 2018

Honorable Stacey E. Pickering  
State Auditor  
Office of the State Auditor  
State of Mississippi  
Post Office Box 956  
Jackson, Mississippi 39205-0956

Dear Mr. Pickering:

The Mississippi State Board of Architecture (MSBOA) acknowledges receipt of the Limited Internal Control and Compliance Review Management Report for the fiscal year ending June 30, 2017.

#### Finding 1: Mississippi State Board of Architecture Should Comply with Laws and Regulations Related to Cash Receipts

##### MSBOA Response:

The Board concurs with the finding.

##### Corrective Action Plan:

- A. Steps to be Taken – As for transfers, MSBOA closed the agency's clearing account on May 31, thereby eliminating a middle step and the need for resulting transfers from the clearing account to the State Treasurer. As for deposits, going forward MSBOA will deposit checks payable to MSBOA directly to the Treasury. Such checks will be mailed to the State Treasurer within 2 business days of receipt.
- B. Contact/Responsible Person – John Cothron, Executive Director, is responsible going forward. Jenny Owen, outgoing Executive Director, was responsible for the actions taken through May 31.
- C. Anticipated Completion Date of Corrective Action – May 31, 2018

#### Finding 2: Mississippi State Board of Architecture Should Ensure Compliance with State Laws and Regulations Over Travel.

##### MSBOA Response:

The Board concurs with the findings.

Corrective Action Plan:

- A. Steps to be Taken - MSBOA has developed a checklist for travel reimbursement, which includes assurance that the correct mileage reimbursement rate (which fluctuates throughout the year) is used, and that the route taken is the most direct.
- B. Contact/Responsible Person - John Cothron
- C. Anticipated Completion Date of Corrective Action - May 1, 2018.

Finding 3: Mississippi State Board of Architecture Should Strengthen Internal Controls over Bank Accounts.

MSBOA Response:

The Board concurs with the findings because printed copies of reconciliation reports were not retained. Timely reconciliations did occur, however. Copies of the bank account statements were retained, and the statements were reconciled to MSBOA's accounting records (although monthly reconciliation reports were not retained).

Corrective Action Plan:

- A. Steps to be Taken - MSBOA has closed the banking account.
- B. Contact/Responsible Persons - Jenny Owen closed the banking account.
- C. Anticipated Completion Date of Corrective Action - May 31, 2018.
- D. Reasons why Corrective Action Plan is Not Needed - The bank account has been closed.

Greg L. Durrell



President



Jenny Owen

Outgoing Executive Director



John Cothron

Incoming Executive Director