



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

June 20, 2018

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

To Members of the Mississippi State Board of Contractors:

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

1. Strengthen controls over documenting agency leave;
2. Strengthen controls over procurement card documentation;
3. Ensure compliance with state purchasing laws;
4. Ensure compliance with state law over cash receipts; and
5. Ensure compliance with state law, rules, and regulations over travel

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.

Thank you for working to move Mississippi forward by serving on the Mississippi State Board of Contractors. I hope you find our recommendations enable the Mississippi State Board of Contractors 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 that reads "Stephanie C. Palmertree".

Stephanie C. Palmertree, CPA, CGMA  
Director, Financial and Compliance Division  
Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi State Board of Contractors (MSBOC) for the year ended June 30, 2017. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA, Jeremy Miller, CPA, and Veronica Funchess.

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 **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:** Strengthen Internal Controls over Leave Policies.

**Executive Summary:** Employee leave was not properly authorized by supervisory personnel. Good internal controls dictate all leave taken should be properly documented and authorized by supervisory personnel to prevent fraud, waste, and abuse.

**Recommendation:** We recommend MSBOC strengthen controls over leave documentation to ensure all leave taken is properly authorized by supervisory personnel to ensure agency records accurately reflect leave reported in the Statewide Payroll and Human Resource System (SPAHRs).

**Detail Analysis:** During our review of personal, major medical and compensatory leave at MSBOC during Fiscal Year 2017, we noted one (1) instance in which an employee's Application for Leave slip was not signed as authorized by supervisory personnel.

Good internal controls dictate that all personal, major medical and compensatory leave used should be properly authorized by supervisory personnel to ensure accuracy in agency records and SPAHRs. Failure to properly document authorization of all leave used in agency records could result in inaccurate leave reported in SPAHRs.

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### **Finding 2:** Strengthen Internal Controls over Procurement Card Purchases.

**Executive Summary:** There were instances in which there was no evidence of review (i.e. initial or signature) documented on monthly credit card statements by appropriate personnel to assure proper purchases were made. The *Mississippi Procurement Manual* dictates that approval of monthly credit card purchases should be documented on the credit card statement by appropriate personnel.

**Recommendation:** We recommend the MSBOC strengthen controls over procurement card documentation to ensure compliance with the *Mississippi Procurement Manual*. All monthly credit card

statements should be properly signed as approved by appropriate personnel to assure purchases made were proper.

**Detail Analysis:** During our review of ten (10) procurement card payments at the MSBOC during Fiscal Year 2017, we noted instances in which the July 2016 and November 2016 monthly statements did not contain evidence of review (i.e. initial or signature) by appropriate personnel to assure that proper purchases were made on the procurement card. The July 2016 statement was \$2,082.41; the November 2016 statement was \$967.49.

The *Mississippi Procurement Manual*, Subsection 10.112.04(13), requires that the “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. If correct, the appropriate official shall approve the statements for payment and process to the agency accounting office. The agency accounting office shall verify all statements and submit for payment.” Failure to properly document review of monthly statements by appropriate personnel could result in unauthorized purchases being undetected before submitting payment request to Department of Finance and Administration (DFA).

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 3:** Noncompliance with State Law over Purchasing.

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

**Recommendation:** We recommend the MSBOC ensure compliance with state purchasing laws. Personnel receiving goods or services should sign and date all invoices or other documentation as verification of proper receipt of goods or services prior to the disbursement of funds.

**Detailed Analysis:** During our review of twenty-five (25) contractual services expenditures at the MSBOC during Fiscal Year 2017, we noted sixteen (16) instances in which there was no evidence that services had been inspected, approved, and documented prior to payment of invoice.

Section 31-7-305(1), Miss. Code Ann. (1972) requires a record to be kept of the date of receipt of invoice, dates of receipt, inspection, and approval of the goods or services. The *Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual*, Subsection 29.60.51, also states that smaller agencies may use a stamp format placed on the invoice to include date and signature of the employee receiving the merchandise from the vendor. Failure to keep a record of goods or services received could result in payment of goods or services not yet received.

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**Finding 4:** Noncompliance with State Law over Cash Receipts.

**Executive Summary:** Multiple instances were noted in which payments received at the agency were not deposited timely into the agency’s clearing bank account. In addition, transfers from the agency’s bank account to the state treasury were not made timely in accordance with state law.

**Recommendation:** We recommend the MSBOC strengthen controls to ensure compliance with state law over cash receipts. Daily receipts should be noted date received and timely deposited into agency's clearing account to reduce likelihood of loss or theft. Transfers from the agency's clearing account to the State Treasury should be made promptly.

**Detailed Analysis:** During our review of fifty (50) cash receipts transactions at the MSBOC during Fiscal year 2017, we noted:

- Eighteen (18) instances in which deposits were not made to Regions clearing bank account within two (2) business days of receiving payment. The range of time from receipt at the agency until deposit to the clearing account ranged from 3 to 13 business days.
- Nineteen (19) instances in which transfers to State Treasury were not made within two (2) business days after deposit into Regions clearing bank account. The range of time from deposit to clearing account to transfer to Treasury ranged from 3 to 10 business days.
- One (1) instance in which supporting documentation did not have the receipt date of the check; therefore, the auditor could not verify if the deposit was made to the clearing account in a timely manner.

Section 7-9-21, Miss. Code Ann. (1972) requires public funds to be deposited into the State Treasury by the end of the next business day following the day that funds are collected.

Good internal controls require cash receipts to be properly documented date received and deposited into the agency's clearing account within one (1) day of receipt to reduce the likelihood of loss or theft. Failure to timely deposit receipts increases the risk of theft and/or misplacement of funds.

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**Finding 5:** Noncompliance with State Law, Rules, and Regulations over Travel.

**Executive Summary:** Multiple instances were noted in which employee travel was not documented as authorized by agency management prior to the trip in accordance with state law, travel was incorrectly reimbursed while employee was on leave, travel was incorrectly reimbursed without documentation of receipts, and documentation of savings using driving instead of airfare was not noted.

**Recommendation:** We recommend the MSBOC strengthen controls over travel reimbursement to ensure compliance with state law. Attendance to conventions, associations or meetings should be authorized by written approval by the department head prior to travel. Mileage reimbursement should only be claimed when employee performed official duties. Employees should provide receipts for certain other authorized expenses in order to receive reimbursement. Furthermore, savings using drive time instead of airfare should be documented for out-of-state training.

**Detail Analysis:** During our review of twenty (20) travel expenditure transactions at MSBOC during Fiscal Year 2017, we noted:

- Seven (7) instances in which approval from a division director or equivalent was not documented for employees who traveled to conventions, associations or meetings.
- One (1) instance in which employee claimed \$72.36 travel mileage reimbursement for a day while on leave and not performing official duties.

- Two (2) instances in which employee traveled to an out-of-state training by driving instead of airfare and no documentation of savings using drive time was noted. For one instance, auditor noted an estimated \$200.00 in savings (\$600.00 compared to \$812.13) if airfare was used instead of drive time. For the other instance, auditor noted an estimated \$500.00 in savings (\$298.00 compared to \$798.22) if airfare was used instead of drive time.
- One (1) instance in which employee claimed \$45.00 reimbursement for airport parking and \$55.00 reimbursement for taxi charges each with no documentation of receipts.

Section 25-1-83, Miss. Code Ann. (1972) requires a department head or equivalent to duly authorize in writing, prior approval for travel to conventions, associations or meetings. This approval is documented on the Department of Finance and Administration's Travel Authorization Form under Section 13.20.20. Failure to obtain proper authorization for employee attendance to conventions, associations or meetings could result in reimbursement of travel expenditures that were not incurred for legitimate business purposes.

Section 25-3-41(1), Miss. Code Ann. (1972) requires an employee to be duly authorized in performing official duties in order to claim reimbursement for miles actually and necessarily traveled in a private automobile. Failure of an employee to receive reimbursement for travel expenditures only while performing official duties and not while on leave could result in theft and/or misappropriation of funds.

DFA's Office of Purchasing, Travel and Fleet Management's *State Travel Policy Rules and Regulations*, Subsection 3.109(D), requires that for the total expenses reimbursed, including meal and lodging costs incurred as a result of driving instead of flying, the reimbursement shall not exceed the cost of the lowest unrestricted air fare unless complete written justification is signed by the employee's agency head determining that it is in the best interest of the agency that the employee drive. Failure of the agency to document the savings using drive time instead of flying could result in improper or inefficient use of funds.

DFA's Office of Purchasing, Travel and Fleet Management *State Travel Policy Rules and Regulations*, Subsection 10.131 requires a receipt to be attached to the Travel Voucher for taxis or airport transportation services in excess of \$10.00. Subsection 10.132(B), "Hotel/Airport Parking," requires receipts to be attached for charges in excess of \$10.00/day. Failure to obtain receipts for taxi and parking charges could result in over-reimbursement of funds to employees.

**End of Report**

TONY CARROLL  
Chairman  
Amory

THOMAS KLINE  
Fulton

JOHN LAWS, III  
Madison

DAVID SMITH  
Ridgeland

GREG SMITH  
Gulfport



HUNTER L. FORDICE  
Vice-Chairman  
Vicksburg

TYLER NORMAN  
Meridian

O.L. SIMS  
Hattiesburg

MADISON H. SMITH  
Tupelo

**MISSISSIPPI**  
**State Board of Contractors**

**COMPLIANCE REVIEW FINDINGS**

Honorable Stacey E. Pickering  
State Auditor  
P. O. Box 956  
Jackson, MS 39205

June 28, 2019

Dear Mr. Pickering:

Below are responses and corrective action plans regarding the Fiscal Year 2017 Compliance Review Findings for the Mississippi State Board of Contractors (MSBOC). The agency concurs with most of the findings and has implemented corrective action plans to remedy the deficiencies.

**Audit Finding:** Personal, Major Medical and Comp Leave

1. There was 1 instance in which employee's Application for Leave slip was not signed as authorized by supervisory personnel as require by good internal controls.

**Response:** The agency agrees with this finding.

1. This was an oversight on the supervisor's part that has been corrected. Christie Bryan's leave form for 4 hours on November 30, 2016 has been signed by her supervisor.

**Corrective Action Plan:**

1. Supervisors are now required to make sure that all leave forms are signed before they are submitted to HR. HR verifies that all documents are signed before payroll is processed.

**Audit Finding:** Employee Insurance

1. There were 2 instances in which employee coverage selected by employee per the most recent health insurance authorization form did not agree to medical premium amount listed on the State and School Employees' Health Insurance Plan billing statement for October 2016. Auditor could not verify the coverage selected by employee agrees to the insurance billing as required by good internal controls.

**Response:** The agency somewhat agrees with these findings.

1. The coverage requested by Christie Bryan was correctly billed as noted in the management response dated April 13, 2018. The change form for Kate Hilliard was not required by EnrollBlue.

**Corrective Action Plan:**

1. The agency's current practice is to require revised applications for all insurance changes.

**Audit Finding:** Travel

1. There were 7 instances in which approval from a division director or equivalent was not documented for employees who traveled to conventions, associations, meetings or conferences.
2. There were 2 instances in which employee traveled to an out-of-state training by driving instead of airfare, and no documentation of savings using drive time was noted.
3. There was 1 instance in which an employee claimed reimbursement for airport parking and taxi charges greater than \$10.00 each with no documentation of receipts.
4. There was 1 instance in which an employee claimed mileage reimbursement for a day while on leave and not performing official duties.

**Response:** The agency agrees with these findings.

**Corrective Action Plan:**

1. The agency implemented, effective immediately, a new travel policy for employees. A travel checklist was developed to assist supervisors in making sure all documentation is attached before travel is approved. All travel forms must have the travel checklist completed and attached before Finance will process the request for reimbursement.
2. A travel check list must be completed and attached to all travel before Finance will process the reimbursement.
3. A travel check list must be completed and attached to all travel before Finance will process the reimbursement.
4. The finding regarding the employee who claimed mileage reimbursement for a day while on leave was a personnel issue that was handled according to SPB policies and procedures.

**Audit Finding:** Contractual Services

1. There were <sup>16</sup>~~18~~ instances in which received date stamp or initials or signature with received date was not present on invoice.
2. There were 3 instances in which payment for goods or services were not submitted to DFA within 30 days after receipt of the invoice.

**Response:** The agency somewhat agrees with these findings.

1. Five of the invoices that were not stamped were received electronically and copies of the emails with dates were provided to audit with the management response. There were 7 registration forms completed by employees for a conference which were used to pay their conference fees instead of getting an invoice from NCIA. The Fudge Inc. invoices were all signed at the time of receipt and dated at the bottom. The invoices from Crane Ridge Properties were all received via fax and the fax date received was on these invoices. The invoices from Specialty Hardware, Comcast, MS Association Builders & Contractors, Inc., and Fisher Brown Bottrell Insurance were not stamped received.

2. The payments to Butler Snow were late because the contract had been lost at the Attorney General's office. The contract was not fully executed until December, 2017. Invoices cannot be processed until contracts have been approved by the Contract Review Board. The payment to Specialty Hardware was held because the wrong item was received.

**Corrective Action Plan:**

1. All invoices received by the agency will be stamped received regardless of the delivery method.
2. All contracts are now hand delivered to the AG's office for processing. For future orders, MSBOC will request an updated invoice showing the date the replacement item is delivered.

**Audit Finding:** Procurement Card

1. There were 2 instances in which monthly credit card statements were not signed or initialed by appropriate personnel to assure proper purchases were made.

**Response:** The agency somewhat agrees with this finding.

1. During FY17, MSBOC added that purchases were to be reviewed by the executive director as an extra level of compliance. Procedures for credit card purchases were noted in management's response dated April 13, 2018.

**Corrective Action Plan:**

1. MSBOC will require written approval of the deputy director or executive director before a bill is paid.

**Audit Finding:** Cash Receipts

1. There were 18 instances in which deposits were not made to the MSBOC Regions clearing account within 2 business days of receiving payment.
2. There were 19 instances in which transfers to State Treasury were not made within 2 business days after deposit in the MSBOC clearing account.
3. There was 1 instance in which checks did not have a received date noted; therefore, auditor could not verify deposits were timely made to clearing account.

**Response:** The agency somewhat agrees with these findings.

1. Deposits were late because the agency had to find and correct errors from a former employee or because the finance employee was out for a short period of time. Due to agency internal controls, only certain staff are allowed to make deposits. It is not cost effective for MSBOC to call in contractual help when an employee is out for short periods of time.
2. A deposit dated 6-28-16 was sent to DFA via handmail and received on July 1<sup>st</sup>. DFA had deleted all prior year documents therefore it was returned to MSBOC so a new document could be created. The document that was noted "several days late" was deposited into the clearing account by a former employee and never sent to DFA. Once the error was discovered, the deposit was sent to DFA. The remaining documents were due to handmail pickup. MSBOC has no control over when handmail is delivered/picked up each day.
3. This was a check from the collection agency for fines that they had collected during the previous month.

**Corrective Action Plan:**

1. MSBOC will work with our independent consultant to see that deposits are made timely.
2. MSBOC has developed a reconciliation process to ensure all checks received are timely processed, deposited into the clearing account, and transferred to treasury.
3. All checks received from the collection agency will be dated when received.

Sincerely,



Stephanie Sills Lee  
Executive Director