



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

Shad White
AUDITOR

December 17, 2018

Limited Internal Control and Compliance Review Management Report

Pelicia E Hall, MDOC, Commissioner
Mississippi Department of Corrections
633 North State Street
Jackson, MS 39201

Dear Commissioner Hall:

Enclosed for your review are the Limited Internal Control and Compliance Review findings for the Mississippi Department of Corrections (MDOC) for the Fiscal Year 2017. In these findings, the Auditor's Office recommends the Mississippi Department of Corrections:

1. Strengthen internal controls within the agency;
2. Strengthen controls to ensure compliance with state laws over agency's inmate welfare fund;
3. Strengthen controls to ensure compliance with state laws over cash receipts;
4. Strengthen controls to ensure compliance with state law over contractual and commodity expenditures;
5. Strengthen controls to ensure compliance with state law over bank accounts;
6. Strengthen controls to ensure compliance with state law over fixed assets;
7. Strengthen controls to ensure compliance with state law over procurement card expenditures;
8. Strengthen controls to ensure compliance with state law over leave;
9. Strengthen controls to ensure compliance with DFA travel manual over travel expenditures;
10. Strengthen controls to ensure compliance with DFA MAAPP manual over salary and fringe; and
11. Reconcile agency maintained QuickBooks account balances to MAGIC reported balances on a timely basis.

Please review the recommendations and submit a plan to implement them by December 31, 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 MDOC to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Corrections. If you have any questions or need more information, please contact me.

Mississippi Department of Corrections
December 17, 2018
Page 2 of 2

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive style with a large, stylized 'S' and 'P'.

STEPHANIE C. PALMERTREE, CPA, CGMA
Director, Financial and Compliance Audit
Office of the State Auditor
Enclosures

The Office of the State Auditor has completed its Limited Internal Control and Compliance Review of the MDOC for the fiscal year ended in June 30, 2017. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA, Kevin Cribbs, Buck Jenkins, CPA, Dana McMorris, Emily Mathis, and Vincent Steiner.

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 a certain matter involving internal control over financial reporting and instances of noncompliance with state laws that require the attention of management. These matters are noted under the heading **MATERIAL WEAKNESS, INSTANCES OF NONCOMPLIANCE WITH STATE LAWS, INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND OTHER CONTROL DEFICIENCIES**, and **OTHER CONTROL DEFICIENCIES**. 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.

MATERIAL WEAKNESS

Finding 1: Agency Should Strengthen Internal Controls Throughout All Divisions.

Executive Summary: Personnel are neither knowledgeable nor concerned with operating with appropriate internal controls, policies or procedures. Management personnel are responsible for maintaining and enforcing these rules. Lack of controls and appropriate "tone at the top" leadership can lead to fraud, waste and abuse.

Recommendation: We recommend the Mississippi Department of Corrections implement new controls, policies and procedures where necessary. We further recommend that management receive sufficient training. We wish to place emphasis on the importance of appropriate "tone at the top" leadership in the financial division.

Detailed Analysis: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is the most broadly accepted standards for internal control in the U.S. One of the components of COSO's internal control structure is control environment. In order for an agency to have adequate internal controls, the agency must have a sufficient control environment. Additionally, The Mississippi Agency Accounting Policies and Procedures (MAAPP) manual section 30 has set forth guidelines for adequate implementation, documentation and evaluation of an agency's internal controls. The MAAPP manual specifically states part of the agency management's responsibilities is to "support the agency's internal control philosophy, promote compliance, and maintain control within their areas of responsibility."

While performing a compliance audit for the Mississippi Department of Corrections, the Office of the State Auditor noted several areas where internal controls over specific processes and

transactions were either ineffective or nonexistent. Through performing walk-throughs of internal controls, interviews with agency staff, and transaction specific testwork, we determined the agency personnel were aware of the agency's internal control policies; however, the internal control policies were neither being followed nor were agency personnel being held accountable by management for not following the policies. Additionally, agency personnel did not appear to have adequate training or knowledge of their required job duties. The overall atmosphere of the agency was one of unconcern regarding internal control policies and procedures. The overall control environment for the Mississippi Department of Corrections is the responsibility of management. This includes the establishment, evaluation, and on-going monitoring of the agency's controls over the accounting functions. One of the key factors to an effective control environment is management's respect for and adherence to the agency's internal controls. Lack of an adequate control environment can lead to significant waste, fraud and abuse.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Finding 2: Agency Should Ensure Compliance with State Laws Over Agency's Inmate Welfare Fund.

Executive Summary: Multiple transfers were made during 2017 financial year from the Inmate Welfare Fund to cover General Fund shortfalls due to budget cuts. Per State Law, the Inmate Welfare Fund should be used for the benefit and welfare of inmates in the custody of the department. Misuse of Inmate Welfare Funds could be detrimental to the benefit and welfare of inmates in custody of the department.

Recommendation: We recommend the MDOC strengthen controls over agency's Inmate Welfare Fund. We also recommend that MDOC reimburse the Inmate Welfare Fund within thirty (30) days of the Limited Internal Control and Compliance Review Management Report release date.

Detailed Analysis: Based on review of Inmate Welfare Fund transactions, the auditor noted three (3) transfers were made from January 2017 through April 2017 totaling \$3,238,521. These transfers were to cover General Fund shortfalls due to budget cuts.

Section 47-5-158, Miss. Code Ann. (1972) authorizes Mississippi Department of Corrections to maintain a bank account which shall be designated as the Inmate Welfare Fund.. This fund shall be used for the benefit and welfare of inmates in the custody of the department and shall be expended in accordance with any provisions or restrictions in the regulations promulgated under subsection (7) of this section.

Finding 3: Agency Should Ensure Compliance with State Laws over Cash Receipts.

Executive Summary: During the review of cash receipts for the fiscal year under audit, auditors noted that agency does not make timely deposits for cash receipts received for operating, supervision, and restitution accounts. Additionally, the agency does not transfer public funds received for agency's operating and supervision accounts to the State Treasury timely in accordance with state law.

Recommendation: We recommend the MDOC implement controls, policies, and procedures over cash to ensure compliance with laws over their assets. Additionally, we recommend deposits and transfers of public funds should be made timely to reduce likelihood of loss or theft.

Detailed Analysis: During our review of cash receipts at MDOC, we noted the following problems:

- The agency does not make timely deposits for cash receipts received for agency's operating and restitution funds. During our review of deposits, auditor noted that the agency currently makes weekly deposits for restitution accounts, when these funds should be deposited in the State Treasury by the end of the next business day following the day that the funds are collected. Auditor also noted funds included in deposits for the operating account included items that were received by agency longer than the week time frame per internal policies which conflict with state law.
- The agency does not make timely transfers of public funds to State Treasury for agency's operating and supervision accounts. Auditor noted agency currently transfers funds on a monthly basis and observed one month in which a transfer was not made. The amounts transferred averaged \$1,095,221.42 for the Supervision Fund while the Operating Fund noted average monthly transfers of \$226,922.70 for commissions received for the Inmate Welfare Fund. The agency utilized the operating account for commissions received beginning January 2017.

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. The untimely deposit and transfer of funds to the State Treasury may result in the loss of investment earnings and increase the risk of theft and/or misplacements of funds while held at the agency.

Finding 4: Agency Should Ensure Compliance with State Law over Contractual and Commodity Expenditures.

Executive Summary: During our compliance review the auditor noted payments were not made within 30 days after receipt of invoice and purchase order forms were posted after the goods or services were received. State law dictates purchases should be properly authorized and paid timely.

Recommendation: We recommend MDOC strengthen controls related to contractual service and commodity expenditures to ensure compliance with state laws and regulations. Payments should be made timely and purchase orders should be issued and approved prior to the receipt of goods and services.

Detailed Analysis: During our review of twenty (20) contractual services and fifteen (15) commodity expenditures at MDOC, we noted the following problems:

- Nine (9) instances in which payments were not made within 30 days after receipt of the invoice. These instances on average were 45 days past due.

- Two (2) instances in which purchase orders were not created prior to goods or services being received.

Section 31-7-303(1), Miss. Code Ann. (1972) requires the requisition for payment of an invoice be filed with the State Fiscal Management Board (DFA) no later than 30 days after receipt of the invoice and receipt, inspection and approval of the goods or services. Failure to submit payment requests within 30 days of the receipt of the invoice and receipt, inspection and approval of goods and services could result in additional expenses being incurred by the agency through finance charges.

Section 7-7-23(1), Miss. Code Ann. (1972) states “Purchases of equipment, supplies, materials or services of whatever kind or nature for any department, officer, institution or other agency of the state, the cost of which is to be paid from funds in the State Treasury on State Fiscal Officer disbursement warrants, may be made only by written purchase orders duly signed by the official authorized so to do, on forms prescribed by the State Fiscal Officer. Failure to create and approve a purchase order prior to the date the goods and services are received impedes the ability of the agency and the Department of Finance and Administration to maintain budgetary control over the agency’s expenditures.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND OTHER CONTROL DEFICIENCIES

Finding 5: Agency Should Strengthen Controls to Ensure Compliance with State Laws over Bank Accounts.

Executive Summary: During review of agency bank accounts held outside of State Treasury, auditors noted DFA form 29.60.35 which authorizes agency to maintain bank accounts were not properly updated or completed. Additionally, the agency does not maintain bank account balances within DFA approved bank account minimum and maximum account ranges. The agency also incorrectly completed the required Public Depositors Annual Report and submitted it untimely to the State Treasurer. Auditor also noted agency not maintaining sufficient support for agency book balance of bank accounts as well as support of reconciled bank balances agreeing to agency book balance.

Recommendation: We recommend the MDOC implement controls, policies, and procedures over cash to ensure compliance with laws over their bank account and assets. Stringent record keeping should be implemented to ensure cash is not misappropriated or misplaced. We also recommend MDOC to submit the Public Depositors Annual Report in a timely manner with accurate bank account information to ensure public funds are adequately collateralized.

Detailed Analysis: During our review of internal controls over bank accounts at MDOC, we noted the following problems:

- The agency did not properly request authorization from DFA through completion of required form 29.60.35 for one bank account held by agency during FY 2017.

- The agency did not properly update authorized signors for checks written through three (3) bank accounts held by agency by submitting updated form 29.60.35 to DFA.
- Three (3) bank accounts held by the agency were noted to have month ending balances over authorized maximum balances allowed as noted per completed form 29.60.35. Amounts for specific accounts over their authorized maximum balances included the Trustmark Supervision Account averaging \$112,310.21, the Trustmark Restitution Account averaged \$981,959.111, along with the Regions Operating Account at \$958,373.34 over their individual maximum balance allowed by state law.
- One (1) bank account held by the agency was noted to have month ending balances under authorized minimum balance of \$1500.00 by \$597.00 for the Regions Canteen Account allowed as noted per completed form 29.60.35.
- The agency submitted the Public Depositors Annual Report 49 days after the due date to the State Treasurer. The agency also understated agency held bank account balances noted at year-end by \$991,813.03 when compared to bank statement balance to amount reported to State Treasurer through the Public Depositors Annual Report.
- One (1) reconciliation selected out of twelve (12) was noted to not agree to agency month ending book balance thereby rendering it incorrect.
- Two (2) reconciliations selected out of twelve (12) were noted to not have support for agency month ending book balance. Auditor was unable to compare reconciled month end balance to agency records due to lack of support.
- The agency did not timely submit to DFA form 29.60.35 for two (2) bank accounts that were closed by the agency. Auditor noted support of one account not having a balance as of March 31, 2013. Auditor did not receive support for the other bank account reported as closed by the agency.

Section 7-9-12, Miss. Code Ann. (1972) allows agencies to request authorization from DFA and the State Treasurer to open a bank account to serve as a collection or clearing account. Each account established shall have a minimum and maximum balance to be fixed by the State Treasurer. Maintaining excessive bank account balances could result in loss of revenue to the state. Failure to submit the Public Depositors Annual Report in a timely manner could result in the State Treasurer not having information necessary to determine proper collateralization.

Section 29.60.35, MAAPP Manual, State Auditor will determine if legal compliance exists with respect to commercial bank account activity. After notification and a hearing, the State Auditor may levy a civil penalty in an amount not to exceed \$1,000 for each violation.

Additionally, 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 control activities in place. Effective control activities dictate that the agency maintains sufficient accounting documentation for all bank accounts authorized by DFA. Bank Reconciliations in particular are vital to ensuring that the correct amount of cash is stated in the account and that the account matches the

checkbook balance. When reconciliations are performed documentation to reference bank and book balance should be available to validate the reconciliation.

Finding 6: Agency Should Strengthen Controls to Ensure Compliance with State Law over Fixed Assets.

Executive Summary: During our review of fixed assets transactions during 2017 FY, the auditor noted agency did not properly submit purchase orders for purchases. The agency also did not provide adequate support for receipt of goods, invoices of purchases, approval of deletion of assets, as well as proof of existence of selected transaction. Additionally, the agency did not properly agree amount paid to vendor to invoice received by agency.

Recommendation: We recommend that the Mississippi Department of Corrections strengthen controls over fixed asset transactions to ensure compliance with state law.

Detailed Analysis: During our review of twelve (12) fixed asset transactions for the 2017 FY, the auditor noted the following:

- Four (4) instances in which the payment for various assets were not made within the 45 days after the receipt of goods and/or services and invoice.
- Three (3) instances in which auditor could not verify receipt of goods through supporting receiving documentation or notation on invoice received by agency personnel.
- One (1) instance in which agency completed purchase order subsequent to the receipt date of goods purchased.
- One (1) instance in which the invoiced amount did not agree to amount paid by agency per payment noted in MAGIC as well as quote received from the vendor.
- One (1) instance in which agency could not provide supporting invoice for completed purchase.
- Two (2) instances in which agency could not provide asset deletions were properly authorized by a salvage committee or person independent of the maintenance of physical inventory held by agency.
- One (1) instance in which an agency held asset was unable to be accounted for due to lack of documentation surrounding asset transaction. Auditor noted asset transaction was for a Belgian Malinois Dog valued at \$7,000.00.
- One (1) instance in which agency completed a purchase without completing a purchase order as required by state law.

Per Miss. Code Ann. 31-7-305, all public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks no later than forty-five (45) days

after receipt of the invoice and receipt, inspection and approval of the goods or services; however, in the event of a bona fide dispute, the public body shall pay only the amount not disputed.

Per Miss. Code Ann. 31-7-305, all public bodies of the state, including those which issue checks and those which file requisitions for payment with the State Fiscal Management Board, shall keep a record of the date of receipt of the invoice, dates of receipt, inspection and approval of the goods or services.

Per Miss. Code Ann. 7-7-23, Purchases of equipment, supplies, materials or services of whatever kind or nature for any department, officer, institution or other agency of the state, the cost of which is to be paid from funds in the State Treasury on State Fiscal Officer disbursement warrants, may be made only by written purchase orders duly signed by the official authorized so to do, on forms prescribed by the State Fiscal Officer.

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 as effective when there are adequate control activities in place. Effective control activities dictate that the review of payments be made regularly to ensure accurate payments and that payments are not made without a valid invoice in order to prevent and/or deter fraudulent activities. Effective control activities also dictate that deletions of assets should be properly authorized by a person(s) independent of the inventory process, and assets should be properly recorded and/or documented in order to adequately safeguard the agency's assets.

Finding 7: Agency Should Strengthen Controls to Ensure Compliance with State Law over Procurement Card Expenditures.

Executive Summary: During the review of procurement card expenditures, auditor noted the agency does not make timely payments towards outstanding balances of procurement cards held by agency. Auditor also noted agency does not maintain appropriate support to sustain an adequate audit trail of procurement card expenditures. Agency also does not maintain required documentation of authorization limits and a listing of authorized users for procurement cards held by agency. Additionally, agency was noted to pay sales tax on several procurement card expenditures selected for review.

Recommendation: We recommend the Mississippi Department of Corrections strengthen controls over procurement card expenditures to ensure compliance with state law.

Detailed Analysis: During review of twelve (12) procurement card expenditures, the auditor noted the following:

- Two instances (2) in which transactions included sales tax of \$5.14. Auditor also noted agency paid an additional \$126.24 in sales tax through examination of procurement card statements obtained through testing procedures.
- The agency does not have required documentation of authorized users with designated maximum transaction limits per user for procurement cards held by the agency.

- The agency does not maintain appropriate support for procurement card transactions to support a proper audit trail.
- The agency does not make timely payments towards procurement card statement outstanding balances.

Per Miss. Code Ann. 27-65-105, government agencies are exempt from taxes levied under this section when property, labor, services, or products are sold and billed directly to (with payment directly by) the State.

Per the State of Mississippi's Office of Purchasing, Travel and Fleet Management State Procurement Guidelines Section 101 requires entities "to designate personnel to manage the program (recommending one Program Coordinator and one alternate as backup) and adopt limits and requirements in accordance with the information found throughout these guidelines."

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 control activities in place. Failure to maintain an appropriate documentation of procurement card transactions could result in fraudulent or unauthorized purchases and or usage of procurement cards.

Per the Mississippi Procurement Card Manual Section 10.112.02, balances on credit cards shall be paid at the receipt of the monthly statement, once the statement has been reconciled for accuracy. Balances on credit cards shall not be carried over to the next month except on disputed claims and only for the disputed amount.

Finding 8: Agency Should Strengthen Controls to Ensure Compliance with State Law over Leave.

Executive Summary: During our review, we noted personal leave and compensatory time earned was not properly authorized by supervisory personnel, properly documented, or adheres to the policies of the agency.

Recommendation: We recommend the Mississippi Department of Corrections strengthen controls over leave to ensure compliance with state law.

Detailed Analysis: During our review, auditor noted agency currently uses KRONOS Timekeeping system to record and track personnel recorded time and leave. Due to agency implementing KRONOS Timekeeping system, auditor was unable to verify authorization from supervisory personnel of personal leave taken by employees as well as authorization by supervisory personnel of compensatory time earned by employees.

Section Miss Code Ann 25-3-92(1) "When, in the opinion of the appointing authority, it is essential that a state employee work after normal working hours, the employee may receive credit for compensatory leave. Except as otherwise provided in Section 37-13-89, when, in the

opinion of the appointing authority, it is essential that a state employee work during an official state holiday, the employee shall receive credit for compensatory leave.”

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 control activities in place. Failure to maintain an appropriate documentation of approval of personal leave could result in the use of leave time not earned by the employee or use of the wrong type of leave.

OTHER CONTROL DEFICENCIES

Finding 9: Agency Should Strengthen Internal Controls over Travel Expenditures.

Executive Summary: During our review, we noted agency reimbursed personnel for meals when attending conferences when meals were provided by the conference. We also noted agency approving a travel voucher with meals marked as taxable instead of non-taxable for overnight stays. Agency also maintained a direct bill for lodging that was over the state rate of \$89.00 per night. Additionally, agency approved travel vouchers with incorrect private-vehicle mileage for travel reimbursements.

Recommendation: We recommend the Mississippi Department of Corrections strengthen controls over travel to ensure compliance with DFA’s Travel Manual.

Detailed Analysis: During our review of ten (10) travel expenditures, we noted the following:

- One (1) instance in which a travel voucher associated with an ACA conference included reimbursement for lunch while lunch was provided at the conference attended. Agency did not provide adequate support for reasoning behind not attending the lunch provided by the conference.
- One (1) instance in which an approved travel voucher reimbursed by agency reported meals as taxable reimbursement instead of non-taxable as required by overnight travel stays.
- One (1) instance in which a direct bill for lodging for employee was billed above the state rate of \$89.00 without adequate support of MDOC requesting the state rate or considering other cost saving measures.
- Two (2) instances in which travel vouchers were approved with incorrect private-vehicle mileage reimbursements. Auditor determined MDOC improperly reimbursed travel expenses by a total of 125 miles.

Per DFA Travel Manual Section 2, Subsection 106, meals shall not be claimed as expenses if the meals are included in the conference registration fee.

Per DFA Travel Manual Section 8, Subsection 126, any reimbursement of meal expenses for travel not including an overnight stay is considered non-deductible compensation and therefore

taxable to the traveler. Therefore, reimbursement of meal expenses for overnight travel should be reported as non-taxable.

Per DFA Travel Manual Section 7, Subsection 122, “State rates” must always be requested by all travelers and the rate confirmed both at the time reservations are made and at check-in. This is different than requesting the “government rate.” The government rates are usually more expensive and the desk clerk will not know to honor the state rate unless it is specified. If you have problems getting the state contract rate the hotel manager should be notified and a reason should be listed on or accompanying your expense report as to why the state rate was not honored so that proper reimbursement will be given.

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 control activities in place. Effective control activities allow for a proper review of all charges, including private-vehicle mileage reimbursements. Also, MAAPP Manual Subsection 13.20.10, require that “For travel in a privately owned vehicle, the mileage between points of travel should be made from the most direct practical route.”

Finding 10: Agency Should Strengthen Internal Controls over Salary and Fringe.

Executive Summary: During our review of salaries and fringe benefits, we noted agency did not provide adequate support of agency’s calculation of fringe benefits for state owned vehicles utilized by employees for commuting to and from home. Agency also does not maintain proper vehicle logs for state owned vehicles used by employees for commuting to and from home.

Recommendation: We recommend the Mississippi Department of Corrections strengthen controls over travel to ensure compliance with DFA’s MAAPP Manual.

Detailed Analysis: During our review of salaries and fringe benefits, we noted the following:

- The agency did not maintain appropriate support for the calculation of one (1) out of twelve employees commuting to and from home in a state owned vehicle in the month of June 2017. Auditor also noted employee did not complete the required vehicle log for vehicle use for the month of June 2017.
- The agency self-excludes all executive staff from completing required vehicle logs for employees’ use of commuting to and from home in a state owned vehicle.

Per MAAP Manual Section 15.20.30, employees are required to claim the benefit of state owned vehicles used to commute to and from work on their W-2 each year for tax purposes.

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 control activities in place. Effective control activities allow agency to maintain proper documentation of state owned vehicles used for commuting to and from home by agency employees through completion of vehicle use logs.

Finding 11: Agency Should Reconcile Agency Maintained QuickBooks Account Balances to MAGIC Reported Balances on a Timely Basis.

Executive Summary: During our compliance review of MDOC, we noted agency utilizes QuickBooks accounting software for various funds maintained by MDOC. The agency does not timely reconcile between MAGIC reported values and values entered into agency's QuickBooks accounting software. The agency's use of accounting software outside of MAGIC without timely reconciliations between the two systems may result in transactions being entered into MAGIC untimely as well as MAGIC account balances not accurately reflecting funds held by MDOC.

Recommendation: We recommend the Mississippi Department of Corrections perform monthly reconciliations between QuickBooks and MAGIC for all account transactions recorded in agency's QuickBooks software.

Detailed Analysis: During our compliance review of MDOC, we noted that MDOC utilizes QuickBooks accounting software for funds received by MDOC as well as transfers made between funds. Auditor noted that MDOC does not reconcile amounts entered into QuickBooks accounting software until year-end GAAP adjustments are needed to report fiscal year end account balances in MAGIC. Agency's year-end GAAP adjustments were noted to be large transactions summarizing the detailed transactions inputted into QuickBooks. We note this as a lack of proper reconciliation procedures between amounts inputted into QuickBooks and amounts reported in MAGIC.

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 control activities in place. Effective control activities dictate that the agency maintains sufficient accounting documentation of reconciliations between agency's QuickBooks accounting system and the State's accounting system, MAGIC. Reconciliations in particular are vital to ensuring that the transactions recorded in QuickBooks are properly recorded to MAGIC in a timely manner. When reconciliations are performed, documentation of all transactions recorded in QuickBooks and MAGIC should be available to validate the reconciliation.

End of Report



STATE OF MISSISSIPPI

DEPARTMENT OF CORRECTIONS

PELICIA E. HALL, Esq.
COMMISSIONER

COMPLIANCE REVIEW FINDINGS

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

March 4, 2019

Dear Mr. White:

With respect to your compliance review of the Mississippi Department of Corrections for the Fiscal Year ended June 30, 2017, we offer the following comments:

AUDIT FINDINGS:

Agency Should Strengthen Internal Controls Throughout All Divisions

Response: We concur.

Corrective Action Plan:

- A. The agency contracted with an outside CPA firm during FY 2018 to review and revise its Internal Control Plan. Additional training will be provided to managers on the importance of following the agency's Internal Control Plan.
- B. Dell Lemley
- C. Completed during FY 2018/June 30, 2019.

Agency Should Strengthen Controls to Ensure Compliance with State Law over Fixed Assets.

Response: We concur.

Corrective Action Plan:

- A. All dogs have been inventoried, MDOC asset numbers have been assigned and all dogs have been microchipped. Policies will be reviewed and training provided to ensure compliance with State Laws.
- B. Dell Lemley
- C. Complete/June 30, 2019

Agency Should Strengthen Controls to Ensure Compliance with State Law over Bank Accounts.

Response: We concur.

Corrective Action Plan:

- A. The Agency will review all current bank accounts for proper authorizations/deletions, balances, and updated signature cards. The Agency will also submit the Public Depositors Annual Report timely and accurately. Reconciliations will be checked monthly for proper supporting documentation.
- B. Dell Lemley
- C. June 30, 2019/ongoing

Agency Should Strengthen Controls to Ensure Compliance with State Law over Procurement Card Expenditures.

Response: We Concur.

Corrective Action Plan:

- A. The Agency will adhere to the guidelines set forth by the Department of Finance and Administration for use of Procurement Cards and ensure that all employees are adhering to those guidelines.
- B. Dell Lemley
- C. June 30, 2019

Agency Should Ensure Compliance with State Laws Over Agency's Inmate Welfare Fund.

Response: We concur.

Corrective Action Plan:

- A. Funds have been reimbursed and the agency will ensure compliance with all statutory requirements, agency policies and standard operating procedures relating to the Inmate Welfare Fund.
- B. Dell Lemley
- C. Completed/June 30, 2019

Agency Should Ensure Compliance with State Laws over Cash Receipts.

Response: We concur.

Corrective Action Plan:

- A. The agency will review policies for compliance with State laws. The agency will contact the State Treasurer's office for possible deposit waivers, as necessary.
- B. Joe Cotten
- C. June 30, 2019

Agency Should Ensure Compliance with State Law over Contractual and Commodity Expenditures.

Response: We concur.

Corrective Action Plan:

- A. The agency will review policies to ensure timely payments and proper paperwork is provided before receipt of goods and services.
- B. Dell Lemley
- C. June 30, 2019

Agency Should Strengthen Controls to Ensure Compliance with State Law over Personal, Medical and Compensatory Leave.

Response: We concur.

Corrective Action Plan:

- A. The agency is reviewing its policy for needed revisions as it relates to authorizing leave.
- B. Sharon Pepper
- C. June 30, 2019

Agency Should Strengthen Internal Controls over Travel Expenditures to Ensure Compliance with State Law.

Response: We concur.

Corrective Action Plan:

- A. The agency will adhere to the required procedures to ensure compliance with State Laws and Regulations over Official Travel.
- B. Dell Lemley
- C. June 30, 2019

Agency Should Strengthen Internal Controls over Salary and Fringe Benefits to Ensure Compliance with State Law.

Response: We concur.

Corrective Action Plan:

- A. The agency will review its calculation process and review State Laws to ensure compliance with all State laws as it relates to use of commuter vehicles further, the agency will send its annual request for approval for additional unmarked vehicles.
- B. Sharon Pepper/Willie Edwards/Sean Smith
- C. June 30, 2019
- D. The 12 vehicles that MDOC identified are assigned commuter/law enforcement vehicles

located at the Central Office. The other 41 are located at various locations in Hinds County. 6 of the 12 are non-law enforcement vehicles in which the employees are assessed commuter vehicle income on their monthly paychecks.

Agency Should Reconcile Agency Maintained Quickbooks Account Balances to MAGIC Reported Balances on a Timely Basis.

Response: We concur.

Corrective Action Plan:

- A. The agency will review its policies to ensure timely reconciliations and proper supporting documentation is attached in MAGIC.
- B. Joe Cotten
- C. June 30, 2019

Pelicia E. Hall, Esq., Commissioner

A handwritten signature in blue ink, reading "Pelicia E. Hall", written over a horizontal line.