



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR

8/7/2018

Limited Internal Control and Compliance Review Management Report

Scott Smith
Mississippi Board of Registration for Foresters
239 N. Lamar Street, Suite 401A
Jackson, MS 39201

To the Mississippi Board of Registration for Foresters:

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

1. Strengthen Controls to Ensure Compliance with State Laws over Bank Accounts and Cash Receipts;
2. Ensure Compliance with Annual Reporting Laws; and
3. Ensure Compliance with State Purchasing Laws

Please review the recommendations and submit a plan to implement them by August 21, 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.

Thank you for working to move Mississippi forward by serving on the Mississippi Board of Registration for Foresters' Board of Director. I hope you find our recommendations enable the Mississippi Board of Registration for Foresters 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, reading "Stephanie C. Palmertree", is positioned above the typed name.

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 Registration for Foresters for the year ended June 30, 2017. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA, Lee Alford, Justin Reulet, and LaSabre Charleston.

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.

We note 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 & 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 misstatements on a timely basis.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW & OTHER CONTROL DEFICIENCIES

Finding 1: Agency should strengthen controls to ensure compliance with State Laws and Regulations over Bank Accounts and Cash Receipts.

Executive Summary: In order to ensure that State assets (i.e. cash) are effectively and efficiently managed, timely and adequate supervisions and control of those assets must be implemented. We found that daily deposits into the clearing account and transfers to the State Treasury not being performed timely. In addition, checks written were not authorized by the Chairman of the Board and the Business Consultant as required by the bank authorization form and the bank authorization form listed a former employee as an authorized signer of the account. Lack of controls can lead to misappropriated assets, fraud, waste, and abuse.

Recommendation: We recommend the Mississippi Board of Registration for Foresters ensure compliance with state laws and regulations by making timely transfers of all public funds collected to their clearing account and to the State Treasury. Additionally, account balances should be maintained as authorized by the Department of Finance and Administration (DFA) and the Office of the State Treasurer (Treasury), and transfers to the State Treasury should be made timely in accordance with state law.

Detailed Analysis: During our review of all bank accounts and cash receipts for fiscal year 2017 at the Mississippi Board of Registration for Foresters, the auditor noted the following:

- Three instances, totaling \$3,316.13, in which the transfer to the Treasury was not made timely (within two business days of receipts or one week if less than \$1000). The transfers consisted of multiple days of receipts/deposits. The range of time from the deposit of receipts in the clearing account until transfer to the state treasury was from 22 to 56 days.
- The agency's clearing account routinely exceeded the maximum allowed balance of \$1,000 set by the bank authorization form. In FY 17, the clearing account maintained monthly averages between \$1,025 and \$2,765.

- 15 instances out of 26, totaling \$830, in which the time to deposits collections into the agency's clearing account exceeded two business days. The range of time from the collection of receipts until transfer to the clearing account was from five to 230 days.
- The DFA bank authorization form notes two signatures are required, the Chairman of the Board and the Business Consultant, for the use of checks. However, checks written to the State Treasury have only been endorsed with one signature during FY 2017; and
- The bank's authorization form list a former employee as an authorized signer of the account.

Section 7-9-21, MS 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".

Section 7-9-12, Miss. Code Ann. (1972) states, "State Treasurer may by regulation provide for the establishment of commercial bank accounts by any state agency, which shall serve as the depository for funds which are collected or held by state agencies and required by law to be deposited in the Treasury. Each such account established shall have a maximum balance to be fixed by the State Treasurer".

The *MAAPP manual Sub-Section 21.10.20*, states "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".

The *MAAPP manual Sub-Section 29.60.35* states, "Per *Section 7-9-12, Miss. Code Ann (1972)*, agencies may request authorization to open a bank account to serve as a collection or clearing account for funds required by law to be deposited in the State Treasury.....An agency must complete form 29.60.35- Required to open, Delete, or Change a Bank Account to obtain authority from DFA and the State Treasurer to open a bank account. The approved form will be signed and returned to the agency".

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 procedures be in place to ensure an employee no longer has access to systems, accounts, inventory, and/or property upon their resignation or termination.

Failure to maintain the correct maximum bank balance, deposit, and transfer funds in a timely manner could result in the loss of investment earnings and increases the risk of theft and / or misplacement of funds while being held at the agency. In addition, failure to obtain two authorized signatures as approved by the Mississippi Department of Finance & Administration and the State Treasurer could lead to misappropriated assets, fraud, waste, and abuse.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: Agency Should Comply State Laws over Annual Reports.

Executive Summary: State Law requires the Mississippi Board of Registration for Foresters to submit an annual report to the Governor and a report to the regular session of the Legislature. The board has not submitted an annual report for fiscal year 2017.

Recommendation: We recommend the Mississippi Board of Registration for Foresters to comply with the *Section 73-36-19 (3), Miss. Code Ann. (1972)* by submitting an annual report to the Governor's Office.

Detailed Analysis: During our review of the Mississippi Board of Registration for Foresters' applicable state codes, the auditor noted the agency is not submitting an annual report to the Governor or the regular session of the Legislature.

Section 73-36-19 (3), Miss. Code Ann. (1972) states "The board shall keep a record of its proceedings and a register of all applications for registration. The register shall show the name, age and residence of each applicant, the date of the application and the board's action on the application and any other information as may be deemed necessary by the board. The board shall submit an annual report to the Governor and a report to the regular session of the Legislature. The report to the Legislature shall include a financial statement of the transactions of the board during the year."

Failure to submit an annual report will result in noncompliance with state code and could jeopardize the agency's funding.

Finding 3: Ensure Compliance with State Purchasing Laws over Contractual Services.

Executive Summary: Auditor noted the Mississippi Board of Registration for Foresters did not receive approval from the Mississippi Department of Information Technology Services prior to entering into a contract for website programming services.

Recommendation: We recommend the Mississippi Board of Registration for Foresters to comply with the *MAAPP Manual Section 09.60.10* when making computer related purchases.

Detailed Analysis: During our review of contractual services for fiscal year 2017 at the Mississippi Board of Registration for Foresters, the auditor noted one instance, out of 30 contractual services tested, in which the agency did not receive CP-1 approval for a computer related purchase of website programming service for \$18,875 from the Mississippi Department of Information Technology Services (ITS). Also, the vendor was not listed on ITS' Express Product List as a pre-approved vendor.

According to the *MAAPP Manual Sub-Section 09.60.10*, "Computer related purchases in excess of \$10,000 generally require that a Computer Services Purchase Order (CS) be used. These purchases must be authorized by ITS and an Acquisition Approval Form (CP-1) must be generated prior to the acceptance of the purchase document."

Failure to receive an approval from ITS can result in unauthorized payments and purchases of services.

End of Report



MISSISSIPPI

BOARD OF REGISTRATION FOR FORESTERS

P.O. Box 1884, Jackson, MS 39215-1884

www.cfr.msstate.edu/borf

(601) 359-6107

COMPLIANCE REVIEW FINDINGS

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

August 16, 2018

Dear Mr. White:

Below are responses and corrective action plans regarding the Fiscal Year 2017 Compliance Audit for the Mississippi Board of Registration for Foresters (MSBORF). The agency concurs with the findings and has implemented corrective action plans to remedy the deficiencies.

Audit Finding 1: Agency should strengthen controls to ensure compliance with State Laws and Regulations over Bank Accounts and Cash Receipts.

Response: The agency will ensure that timely deposits and transfers are made as required by state laws and regulations.

Corrective Action Plan:

- A. The agency has submitted Form 29.60.35 to change bank account signatures required and a bank signature authorization form has been submitted to correct the authorized signer of the bank account. Any funds received will be deposited to the bank account on the day received and a check with receipt warrant will be made to the State Treasury on a weekly basis or as needed to keep bank balance at the maximum allowed balance of \$1,000.

Audit Finding 2: Agency should comply with State Laws over Annual Reports.

Response: The agency will ensure that future annual reports will be submitted as required by State Laws. The agency does submit the same information found in the annual report in their budget submission to the Legislative Budget office which is also shared with the Governor's office and Legislatures upon request.

Corrective Action Plan:

- A. The agency will submit the annual report to the Governor's office and Legislature as required by state law beginning with fiscal year 2018.

Audit Finding 3: Ensure compliance with State Purchasing Laws over Contractual Services.

Response: The agency will ensure that all purchasing guidelines are followed. It was our understanding that a CP-1 was not required because the contractual service was under \$50,000 and therefore delegated to the agency discretion with two quotes per ITS requirements. A contract was initiated but not a CS document. Once work was complete an invoice was submitted and paid via Magic under DFA purview. No further documentation was requested by DFA to process.

Corrective Action Plan:

- A. The agency will follow all purchasing laws and procedures and will comply with MAAPP Manual and ITS requirements when making IT related purchases.

Thank you for working with us as we strive to correct these findings and ensure that these issues are not repeated in the future.

Sincerely,


Scott Smith, RF

Chairman


Debbie Shows
Consultant