



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

July 30<sup>th</sup>, 2018

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

Charles W. Morgan, State Forester  
Mississippi Forestry Commission  
660 North Street, Suite 300  
Jackson, MS 39202

Dear Mr. Morgan:

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

1. Strengthen Controls to Ensure Compliance with State Laws Over Capital Outlay;
2. Strengthen controls to Ensure Compliance with *State Procurement Card Guidelines* over Procurement Card purchases;
3. Ensure Compliance with State Travel Laws and Regulations;
4. Ensure Compliance with State Purchasing Laws;
5. Ensure Compliance with Cash Receipts State Laws; and
6. Strengthen Controls Over Bank Accounts.

Please review the recommendations and submit a plan to implement them by August 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 Forestry Commission  
July 30, 2018  
Page 2 of 7

I hope you find our recommendations enable the Mississippi Forestry Commission 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". 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 Forestry Commission 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, Clayton Southerland, 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 & 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 & CONTROL DEFICIENCIES**

**Finding 1:** Agency Should Strengthen Controls over Capital Outlay Expenditures to Ensure Compliance with Purchasing Laws.

**Executive Summary:** During our review of capital outlay expenditures, the auditor noted one instance in which the Mississippi Forestry Commission did not adhere to state purchasing laws by obtaining two competitive written bids prior to the purchase of an asset costing over \$10,000. State Law requires two written competitive bids for expenditures involving more than \$5,000 but less than \$50,000.

**Recommendation:** We recommend the Mississippi Forestry Commission comply with state purchasing laws by strengthening controls over purchases. In addition, all documentation for asset purchases, along with bidding information, should be maintained in the files.

**Detailed Analysis:** During our review of seventeen (17) capital outlay expenditures at Mississippi Forestry Commission for FY 2017, the auditor noted one instance for \$10,975 in which no documentation could be provided to verify that two competitive, written bids had been obtained for an expenditure greater than \$5,000.

*Section 31-7-13, Miss. Code Ann. (1972)* "Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000) but not more than Fifty Thousand Dollars (\$50,000), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained."

*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. Good internal controls dictate documentation be maintained to ensure the agency's compliance with State purchasing laws.

Failure to comply with state law and compliance regulations could result in the purchase of assets at a cost higher than necessary.

---

**Finding 2:** Agency Should Strengthen Controls over the Procurement Card Purchases to Ensure Compliance With the *State Procurement Card Guidelines*.

**Executive Summary:** During our review, multiple instances were noted in which there was no documentation of independent review of the procurement card purchases. State regulations set forth in the Department of Finance and Administration (DFA) *Procurement Card Guidelines* require purchases made with the procurement card be confirmed in writing by the cardholder, as well as reviewed and reconciled between receipts and the statement.

**Recommendation:** We recommend the Mississippi Forestry Commission strengthen controls over procurement card purchases by requiring the individual Procurement Card Purchasing logs be independently reviewed and signed by an appropriate approving official. Additionally, we recommend the cardholder reconcile the receipts to the statements and sign the statements to ensure the accuracy of all purchases.

**Detailed Analysis:** During our FY 2017 review of 26 procurement card purchases at the Mississippi Forestry Commission, the auditor noted four instances totaling \$8,828.11, in which no documentation for independent review of procurement card charges could be verified on the monthly statement or the agency's "Individual Procurement Credit Card Log".

According to Section II B.10, *State Procurement Card Guidelines*, "Upon receipt of the monthly statement, the cardholder shall review all charges to assure accuracy, complete applicable dispute documents, if needed, reconcile the statement with copies of receipts and order logs, approve and sign the statement. Forward the statement, copies of receipts, logs and disputed documents to the appropriate official within the agency according to agency policy. This should be done within one day after receipt of the statement.

*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. Good internal controls dictate cardholders and the agency program coordinator sign the statements to verify he/she has assured the accuracy of the statement and it is understood he/she may be held jointly liable for any purchases approved by the program coordinator, not in compliance with the procedures detailed in the *Procurement Card Guidelines*.

Failure to ensure independent verification by an appropriate official could allow improper payments to be made, improper purchases to be made by unauthorized personnel, or inappropriate usage of the procurement card. In addition to being responsible for any such charges, the agency could lose the privilege of using the procurement card program.

---

## INSTANCES OF NONCOMPLIANCE

**Finding 3:** Agency Should Ensure Compliance with State Travel Laws and Regulations.

**Executive Summary:** During our review, we noted various instances in which the agency did not adhere to the applicable state travel laws concerning the reimbursement of travel expenditures. State laws and the Department of Finance and Administration's (DFA) *State Travel Manual* dictate the mileage reimbursement rates, the meal rates and tax classifications, and the rules and regulations governing reimbursement for airline travel.

**Recommendation:** We recommend the Mississippi Forestry Commission comply with applicable state laws and regulations regarding travel expenditures to ensure travel reimbursements are proper and correct. Additionally, we recommend any amounts overpaid or paid in violation of state law be reimbursed to the Agency.

**Detailed Analysis:** During our review of twenty-five (25) travel expenditures for Mississippi Forestry Commission for FY 2017, the auditor noted the following:

- One instance in which travel in a private automobile was not reimbursed at the correct mileage rate for FY 17 of \$.535, overcharging the agency for \$.70.
- One instance, totaling \$84, in which meals were not properly reported as taxable for no overnight travel.
- Two instances in which the daily meal rate used for reimbursement of \$42 was over the maximum allowed. Per DFA, the maximum daily reimbursement rate is \$41.
- One instance in which the agency was charged extra for an upgrade to an aisle seat and the agency paid for the extra charge of \$127. The agency should have only paid for the price of the economy seat.

According to *Miss. Code Ann. § 25-3-41*, “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.”

According to *MAAPP Manual Section 13.20.30*, “The IRS has ruled that any reimbursement of meal expenses for travel not including an overnight stay is considered nondeductible compensation and therefore taxable to the traveler.”

*DFA's Travel Manual Section 124 (p.31)* states, "If you cannot find the city you are looking for, locate the county and use the amount listed. If neither the city nor county is listed, the maximum state reimbursement rate is \$41.00/day." Note: Travel to Alaska is considered within the continental limits of the United States and would be reimbursed at the maximum state reimbursement rate allowed, \$56 per table.

*DFA's Travel Manual Section 3 110A (p.20)* states, If the employee must book a flight at a price in excess of the lowest rate on the cost comparison, the agency must, prior to booking the flight, submit an eWaiver Request, found on the OPTFM website, to the Office of Purchasing, Travel and Fleet Management and include the amount of cost and the justification of using that fare on the eWaiver.

Failure to follow laws and regulations could result in the improper reimbursements of travel expenses.

---

**Finding 4:** Agency Should Ensure Compliance with State Purchasing Laws.

**Executive Summary:** During our review of expenditures for Contractual Services, Commodities, and Capital Outlay at Mississippi Forestry Commission, we noted multiple instances in which payment requests were not filed timely by the agency. State law dictates a specified time period for timely payment of state obligations. In addition, we noted two (2) instances in which a purchase order was not created prior to the order of goods and services. State law requires the execution of a written purchase order signed by an authorized official prior to the purchase of equipment, supplies, and materials/services.

**Recommendation:** We recommend the Mississippi Forestry Commission ensure compliance with state purchasing laws by documenting receipt date of goods and services on invoices and by submitting invoices timely to Department of Finance and Administration (DFA) for payments. In addition, we recommend purchase orders are prepared and approved prior to the order of goods and services.

**Detailed Analysis:** During our review of Mississippi Forestry Commission's Contractual Services, Commodities, & Capital Outlay expenditures for FY 2017, the auditor noted ten (10) instances, totaling \$79,553.83, out of sixty-seven (67) in which the time to release payment to DFA exceeded the 30-day threshold by an average of 45 days. We also noted two (2) instances out of forty-two (42) reviewed in which a purchase order was created after goods and services were ordered.

According to *Section 31-7-303, MS Code Ann. 1972* "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".

According to *Section 7-7-23 Miss. Code Ann. (1972)*, 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. Purchases of such equipment, supplies, materials, or services, as specified herein, made without the issuance of such purchase orders shall not be deemed to be obligations of the state unless the State Fiscal Officer, by general rule or special order, permits certain purchases to be made without same...It shall be the duty of the proper official in each department or agency to forward the copy of each purchase order to the State Fiscal Officer on the same day the said order is issued."

Failure to submit payments to DFA within 30 days of the receipt of the invoice and receipt, inspection, and approval of the goods and services could result in additional expenses being incurred by the agency through finance charges. Additionally, failure to comply with state purchasing laws may result in the purchase of unauthorized services, equipment, or materials.

---

**Finding 5:** Agency Should Ensure Compliance with Cash Receipt Laws.

**Executive Summary:** In order to ensure that State assets (i.e. cash) are effectively and efficiently managed, timely and adequate supervision and control of those assets must be implemented. During our review of cash receipts, we found the Mississippi Forestry Commission did not perform transfers to Treasury in a timely manner. State law requires all funds collected be deposited into State Treasury within two (2) business days following collection.

**Recommendation:** We recommend the Mississippi Forestry Commission ensure compliance with applicable state laws and regulations over cash receipts by making timely transfers of all public funds collected to the State Treasury.

**Detailed Analysis:** During our review of twenty-five (25) Cash Receipts at the Mississippi Forestry Commission for FY 2017, the auditor noted two (2) instances in which the transfer of collections to the State Treasury exceeded two (2) business days. The range of time from the deposit of receipts in the clearing account until transfer to the state treasury was from fifteen (15) to thirty-four (34) days.

*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."

Failure to transfer funds to the treasury in a timely manner could result in the loss of investment earnings to the State and increases the risk of theft and/or misplacement of funds while being held at the agency.

---

## CONTROL DEFICIENCIES

### **Finding 6:** Agency Should Strengthen Controls over Bank Accounts.

**Executive Summary:** During our review of bank accounts at Mississippi Forestry Commission, we noted one (1) instance in which the agency did not maintain a record of checks written or checks cleared on the account; check images were also not included in the bank statements. Lack of controls over proper maintenance of bank accounts may lead to misappropriated funds, fraud, waste, and abuse.

**Recommendation:** We recommend that Mississippi Forestry Commission strengthen controls over bank accounts to ensure agency management documents their review of bank accounts through reconciliations and maintains copies of written checks for all bank accounts.

**Detailed Analysis:** During our review of bank accounts at Mississippi Forestry Commission for FY 2017, the auditor was unable to review checks for one bank account due to the bank not providing images of checks cleared during the period on the monthly statements, as well as the agency not maintaining copies of the checks written and cleared on its truncate account.

*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. Good internal controls dictate that copies of checks be maintained for review to ensure only authorized personnel have access to checks. In addition, failure to monitor cleared/canceled checks could result in the unauthorized use of funds.

**End of Report**



# MISSISSIPPI FORESTRY COMMISSION

---

660 North Street, Suite 300 • Jackson, Mississippi 39202  
Phone: (601) 359-1386 • FAX: (601) 359-1349 • [www.mfc.state.ms.us](http://www.mfc.state.ms.us)

## COMPLIANCE REVIEW FINDINGS

August 13, 2018

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

Dear Mr. White:

Upon completion of the FY2017 Financial Audit of the MS Forestry Commission, we respectfully submit to you our responses and corrective action plan for each review finding.

### **AUDIT FINDING:**

**Finding 1: Strengthen Controls to Ensure Compliance with State Laws over Capital Outlay.**

### **RESPONSE:**

While the Mississippi Forestry Commission concurs with this finding, there were extenuating circumstances surrounding this incident. The commission does require two written bids for all assets over \$10,000 and any expenditure over the \$5,000 threshold. In this instance, the purchase was made by a district that was consolidated in June 2017 due to a reorganization. While we are confident the two bids were obtained prior to issuing approval for the purchase, the supporting documentation could not be located for the audit. Copies of the two bids were maintained at the (now dissolved) district office, and in all likelihood simply misplaced during the reorganization.

**CORRECTIVE ACTION:** Bob Ponder and Rebekah Olander, Purchasing Agents are responsible for this actions.

1. For all purchases requiring two written bids, that documentation is now being scanned into MAGIC and attached to the Purchase Order, thus producing an additional electronic copy stored in a system maintained by the Department of Finance and Administration.

**Finding 2: Strengthen Controls to Ensure Compliance with *State Procurement Card Guidelines* over Procurement Card Purchases.**



**RESPONSE:**

The Mississippi Forest Commission does not concur with this finding. The Commission requires each cardholder to follow the guidelines as outlined in Section II B.10, of the *State Procurement Card Guidelines* which states, "Upon receipt of the monthly statement, the cardholder shall review all charges to assure accuracy, complete applicable dispute documents, if needed, reconcile the statement with copies of receipts and order logs, approve and sign the statement. Forward the statement, copies of receipts, logs, and disputed documents to the appropriate official within the agency according to agency policy. This should be done within one day after receipt of the statement." In addition to complying with this guideline, the Commission requires the same documentation to be sent from the cardholder to the budget authority within the agency for a secondary review. Finally, the Purchasing Department within the Commission reviews each statement and documentation for accuracy and policy compliance. In the instances outlined in Finding 2, the cardholder in question was the budget authority. The *State Procurement Card Guidelines* calls for the actions in Section II B.10 to be completed by the cardholder. In every case, this was done. The finding centers around the secondary signature field on the Commission's "Individual Procurement Credit Card Log" form. This secondary signature field is intended to be signed by the budget authority (as a matter of agency policy). However, if the cardholder in question is the budget authority, the secondary review occurs in the Purchasing Department for accuracy and policy compliance. One should note, that while *State Procurement Card Guidelines* Section II B.10 does call for cardholder review of the supporting documentation, it does not call for a secondary review by the Budget Authority, nor a tertiary review by the Purchasing Department. The Guidelines only call for the documents to be forwarded to the appropriate official within the agency.

**CORRECTIVE ACTION:** Rebekah Olander, Purchasing Agent, is responsible for these corrective actions.

1. In order to satisfy any future concerns, a secondary review and signature will accompany the Individual Procurement Credit Card Log in instances when the Budget Authority is the cardholder.

**Finding 3: Ensure Compliance with State Travel Laws and Regulations.****RESPONSE:**

The Mississippi Forestry Commission concurs with this finding. The Administrative Assistant assigned to Travel reimbursement requests was cautioned about reviewing the travel reimbursement requests more closely. The mistakes were purely due to the incumbent employee's inexperience and lack of knowledge in this area. Adding to the confusion surrounding the reimbursements were the constant changes to DFA's "Trip Optimizer" and the supporting procedures. While inexperience will be resolved with time, and knowledge can be resolved with training, some stability regarding state travel reimbursement policies will go a long way toward ensuring success and accuracy.

**CORRECTIVE ACTION:** Shantrell Hopes, Travel Administrator is responsible for these corrective actions.

1. Proper training with the new travel administrator has been done.

2. A third party will review travel reimbursement requests for accuracy, concentrating on the areas that had oversight and errors before.

**Finding 4: Ensure Compliance with State Purchasing Laws.**

**RESPONSE:**

In regards to the instances where purchase orders were created after the invoice date, the Mississippi Forestry Commission concurs with this finding. There were two instances in which a newly hired employee was instructed by his supervisor to go to the vendor and get uniforms. These uniform components exceeded the quantity previously purchased by the agency. As a result, an additional invoice was created to cover the overage. The Purchasing Department was unaware of the uniform need, and the instructing supervisor did not realize that this was an overage. Typically, the purchase order would have been prepared ahead of time.

In the instances where invoices were not paid within the 30-day threshold, the Mississippi Forestry Commission does concur that this is a finding, but questions attempts at remediation. The agency is typically waiting on receipt of the goods before submitting the invoice for payment. It is the Commission's policy not to pay an invoice until the goods are received. Some vendors simply send an invoice as soon as the purchase order is received, but may not fulfil the order for several weeks. Additionally, accounts payable procedures within MAGIC prohibit payment of an invoice without goods receipt. There is no mechanism for the agency to correct this issue itself. The vendor will have to be convinced to only issue an invoice when the goods actually ship to resolve this issue indefinitely.

**CORRECTIVE ACTION:** Bob Ponder, Purchasing Chief is responsible for these corrective actions.

1. The Regional offices have been instructed to prepare a Request to Purchase form and the Purchase Order must be issued before purchasing any goods or services.
2. Work more closely with vendors to ensure invoices are dated in a more accurate manner consistent with order fulfillment. Begin recording goods receipt dates on purchase orders to identify instances when order fulfillment did not occur within the 30-day timeframe.

**Finding 5: Ensure Compliance with Cash Receipt Laws.**

**RESPONSE:**

The Mississippi Forestry Commission concurs with this finding. The Federal Grant reimbursements are not received in a consistent or timely manner from the US Forest Service. Furthermore, reimbursements from multiple grants typically arrive in a single lump-sum payment with no accounting detail. Working with the US Forest Service to identify which grants were reimbursed can take several weeks depending on how many payments were consolidated into a single reimbursement. Without accurate accounting detail, the reimbursement cannot be applied to the correct grant in the state's financial system (MAGIC).

**CORRECTIVE ACTION:** Lacie Wilkerson, Grants Administrator, is responsible for these corrective actions.

1. A request has been sent to the US Forest Service to send us the necessary accounting details for each reimbursement.
2. A request has been submitted to the State Treasury requesting a waiver on the 2-day deposit requirement due to the above circumstances with the Federal Government.
3. The agency will amend its policy to include checking the clearing account balance daily to ensure a timelier transfer of funds.

**Finding 6: Strengthen Controls over Bank Accounts.**

**RESPONSE:**

The Mississippi Forestry Commission concurs with this finding. The office that did not have copies of checks opted out of getting copies due to the cost and the fact they wrote a minimal number of checks each month. The cost vs benefit did not seem reasonable at the time. (\$15 per month for 1 or 2 checks written.)

**CORRECTIVE ACTION:** Martha Moore, Administrative Assistant, is responsible for this corrective action.

1. The bank has been notified and the office will now receive copies of the checks written each month with the bank statement.

Sincerely,



Charlie Morgan  
State Forester