



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

August 9, 2018

Limited Internal Control and Compliance Review Management Report

Dr. Kenneth Cleveland, Executive Director
Mississippi State Board of Medical Licensure
1867 Crane Ridge Drive, Suite 200-B
Jackson, MS 39216

Dear Dr. Cleveland:

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

1. Ensure Compliance with State Laws Over Bank Accounts;
2. Ensure Compliance with State Laws Over the recording of Board Minutes;
3. Strengthen Controls to Ensure Compliance with State Laws Over Cash Receipts;
4. Strengthen Controls to Ensure Compliance with State Laws Over Procurement Card Purchases;
5. Strengthen Controls to Ensure Compliance with State Laws Over Travel Expense; and
6. Strengthen Controls Over The Recording Of Employee Leave to Ensure Compliance with State Laws Over Leave.

Please review the recommendations and submit a plan to implement them by August 23, 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 State Board of Medical Licensure

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I hope you find our recommendations enable the Mississippi State Board of Medical Licensure 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 Palmertree". The signature is fluid and cursive, with the first name "Stephanie" and last name "Palmertree" clearly distinguishable.

STEPHANIE PALMERTREE, CPA, CGMA

Director, Financial and Compliance Audit

Office of the State Auditor

Enclosure

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi State Board of Medical Licensure 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 K. Ashley, Brianna Blair-Dang, and Derek Easley.

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.

In performing our review, we noted a certain matter involving internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the headings **INSTANCES OF NONCOMPLIANCE WITH STATE LAW AND OTHER CONTROL DEFICIENCY**. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 1: Agency Should Strengthen Controls to Ensure Compliance with State Laws Over Bank Accounts.

Executive Summary: During our review of Bank Accounts, it was noted the agency did not submit the Public Depositors Annual Report timely.

Recommendation: We recommend the Mississippi State Board of Medical Licensure strengthens controls to ensure compliance with state laws over timely submission of the Public Depositors Annual Report.

Detailed Analysis: During our review of Bank Accounts at the Mississippi State Board of Medical Licensure, we noted the following issue:

- The Public Depositors Annual Report was not submitted timely. The report is due thirty days after fiscal year-end, but was not sent to the State Treasury until August 28, 2017, which is 20 days past due as required by MS Code 27-105-5(6) (b).

Section 27-105-5(6)(b), Miss. Code Ann. (1972) requires a public depositor to notify the State Treasurer, no later than thirty days after the end of the fiscal year, of its bank accounts that it has with a qualified public depository, including the balance in the accounts as of the fiscal year end. Failure to submit the Public Depositors Annual Report with accurate bank account information in a timely manner could result in Treasury not having the information necessary to determine proper collateralization. In addition, failure to perform monthly reconciliations of the bank statement to the agency records may result in loss of funds and/or misuse of funds.

Finding 2: Agency Should Strengthen Controls to Ensure Compliance with State Laws Over the recording of Board Minutes.

Executive Summary The official records of the meetings of the Mississippi State Board of Medical Licensure are not signed as formally authorized by the board. Board minutes should be signed by a designated official to ensure actions of the board are accurately and properly documented.

Recommendation: We recommend the Mississippi State Board of Medical Licensure ensure compliance with state laws regarding board minutes. All board minutes should be recorded timely, not to exceed thirty (30) days, and made available for public inspection.

Detailed Analysis: During our review of twenty (20) board minutes at the Mississippi Board of Medical Licensure, we noted the following instances:

- One (1) instance dated 12/5/2016 in which the board minutes were not signed.
- Two (2) instances dated 2/22/2017 and 3/22/2018 in which the board minutes were not recorded timely (within 30 days). The minutes from 2/22/2017 were signed six (6) days late, and the minutes from 3/22/2018 were signed nineteen (19) days late.
- Two (2) instances dated 5/9/2018 and 5/10/2018 where the minutes were not recorded at the time of audit for review. Therefore, the auditor was unable to verify compliance requirements.

Section 25-41-11, Miss. Code Ann. (1972), states (in part), “Minutes shall be kept of all meetings of a public body, whether in open or executive session, showing the members present and absent; the date, time and place of the meeting; an accurate recording of any final actions taken at such meeting; and a record, by individual member, of any votes taken; and any other information that the public body requests be included or reflected in the minutes. The minutes shall be recorded within a reasonable time not to exceed thirty (30) days after recess or adjournment and shall be open to public inspection during regular business hours.”

Failure to comply with state law and compliance could result in the board being closed to the public for a reason other than what is allowable by law.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW and OTHER CONTROL DEFICIENCIES

Finding 3: Agency Should Strengthen Controls to Ensure Compliance with State Laws Over Cash Receipts.

Executive Summary: During our review of Cash Receipts for the Mississippi State Board of Medical Licensure, it was noted the agency is not making timely deposits to the agency’s clearing account. Additional, it was noted that the agency was not timely transferring funds from the agency’s clearing account to State Treasury.

Recommendation: We recommend the Mississippi State Board of Medical Licensure strengthen controls to ensure cash receipts are deposited into the agency's clearing account promptly upon receipt and transfers to the state treasury are made timely in compliance with state law.

Detailed Analysis: During our review of 30 cash receipts at the Mississippi State Board of Medical Licensure, we noted the following:

- Auditor noted 20 instances, totaling \$26,134.36, in which the cash receipts were not deposited into the bank the day the cash was received or the following business day.
- Auditor noted 12 instances, totaling \$74,937.51, in which the money was not transferred to the Treasury with two business days.

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

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".

Good internal controls require cash receipts to be deposited into the agency's bank account daily to reduce the likelihood of loss or theft. Failure to promptly deposit receipts increases the risk of theft and/or misplacement of funds. Additionally, the untimely transfer of funds to the State Treasury may result in the loss of investment earnings for the State. Failure to make timely transfers to Treasury results in noncompliance with the State Code.

Finding 4: Agency Should Strengthen Controls to Ensure Compliance with State Laws Over Procurement Card Purchases.

Executive Summary: Multiple instances were noted in which purchases made with procurement cards were not signed by the cardholder or purchaser at the agency. The *State Procurement Card Guidelines* and the *State Procurement Manual* require that purchases made with procurement cards be confirmed in writing by the cardholder with a printed name and signature. Auditor also noted the agency did not have documentation that the procurement card statements had been reconciled or reviewed.

Recommendation: We recommend the Mississippi State Board of Medical Licensure strengthen controls to ensure compliance with the *State Procurement Card Guidelines* by having cardholders sign or initial receipts related to procurement card purchases to ensure that only authorized procurement cardholders use the procurement card. The agency should also develop a process for reconciling and approving monthly credit card statements.

Detailed Analysis: During our review of thirty-one (31) procurement card expenditures, the auditor noted the following problem areas:

- Five (5) instances in which the auditor cannot verify that the authorized user used the card as there is no signature on the invoice, receipt or statement to verify that the transaction was reviewed and approved.

Section 31-7-9, Miss. Code Ann. (1972) states that the Office of Purchasing, Travel, and Fleet Management at the (DFA) may adopt purchasing regulations governing the use of procurement cards. *Section 10.112.04 of the Mississippi Procurement Manual* requires a list of items purchases (either in form of a detailed sales receipt or an order description) to be reviewed and confirmed in writing by the cardholder. The list should have the cardholder's printed name and signature.

Failure of the cardholder to confirm the purchase by initialing/signing the receipts could allow improper payments to be made or purchases to be made by unauthorized personnel.

Finding 5: Agency Should Strengthen Controls to Ensure Compliance with State Laws Over Travel Expense.

Executive Summary: During our review of Travel Expenses for the Mississippi State Board of Medical Licensure, we noted multiple instances where travel authorization forms were not obtained prior to travel and/or employees did not obtain the proper documentation for attendance to conferences, meetings, or associations.

Recommendation: We recommend that the Mississippi State Board of Medical Licensure strengthen controls over the reimbursement of travel expenditures to ensure compliance with state laws and rules and regulations set forth by the DFA.

Detailed Analysis: During our review of thirty (30) Travel expenditures at the Mississippi Board of Medical Licensure, we noted the following instances:

- Five (5) instances, totaling \$2,848.19, where employees who traveled to conventions, associations, or conferences did not have a division director or equivalent documented approval.

Section 25-1-83, Miss. Code Ann. (1972), states, "...It is further provided that no funds appropriated by the Legislature or received by any agency, department, or institution from any source whatever shall be used in defraying the expenses of any state employee, other than an officer or department head, in attending a convention, association, or meeting, unless such employee be duly authorized by prior approval in writing of the departmental head or officer in charge of such department, agency, or institution..."

In addition, the *MAAPP* manual states, "The Travel Authorization form 13.20.20 is the standard form used by state officers, state employees, and board members of the State for requesting

approval of travel. It is also **required** to incur prior to trip expenses or to receive travel advances...”

Failing to comply with state travel laws, rules and regulations could result in incorrect or improper payments to employees for reimbursement of travel expenses.

Finding 6: Agency Should Strengthen Controls Over The Recording Of Employee Leave to Ensure Compliance with State Laws Over Leave.

Executive Summary: During our review of employee leave, it was noted some employees were accumulating and taking compensatory leave that was not properly recorded in the Statewide Payroll and Human Resource System (SPAHRS). In addition, it was noted the leave taken had been failed to be recorded as personal leave in SPAHRS.

Recommendation: We recommend the Mississippi State Board of Medical Licensure strengthen controls over leave to ensure all compensatory leave earned and used is properly authorized by supervisory personnel to ensure agency records and SPAHRS accurately reflect leave earned and used by employees. We also recommend that the employees’ time is appropriately adjusted for leave taken and not recorded.

Detailed Analysis: During our review of Personal, Major Medical and Compensatory Leave for Mississippi State Board of Medical Licensure, we noted the following:

- There was no personal leave recorded for one employee throughout the year.
- Through inquiry, it was noted that an employee was working weekends and extra hours in order to take days off. It was also noted that this employee took a vacation in January of 2018, and did not submit leave. The additional work time is not being recorded as accruing compensatory time and the days off are not being recorded as ‘using’ compensatory or personal leave. Therefore, the accrual and use of time is not being properly recorded.
- There was a discrepancy in the compensatory accrual forms and the SPAHRS accrual for one employee. It appears as though 1 hour of compensatory time was recorded in SPAHRS, however, there is no documentation of the approval for the time earned.

The Mississippi State Board of Medical Licensure should be following established policies set by the *MS State Personnel Board* and the *MS Code 25-3-92* in regards to leave and properly documenting compensatory leave in order to ensure accuracy in the agency records and SPAHRS.

The lack of documentation of the accrual and use of compensatory leave can lead to employees taking more time off than what is actually earned. Also, failure to properly document authorization of all leave used and compensatory time earned in agency records could result in inaccurate leave reporting in SPAHRS.

End of Report

TELEPHONE: (601) 987-3079



FAX: (601) 987-6822

MISSISSIPPI STATE BOARD OF MEDICAL LICENSURE

Kenneth Cleveland, M.D. | Executive Director

October 2, 2018

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

Dear Mr. White:

As a relatively new Executive Director, I found great value in having your staff perform the Limited Internal Control and Compliance Review for our agency recently. Your staff members which were here, Mr. Jeremy Ashley, Ms. Brianna Blair-Dang, Mr. Derrick Garner, CPA, and Mr. Derek Easley, were very professional and helpful during the audit. We submit the following as our response to your Management Report.

AUDIT FINDINGS:

Finding 1. Agency should strengthen controls to ensure compliance with state laws over bank accounts – Agency did not submit the Public Depositors Annual Report timely.

Response: We acknowledge that the FY2017 report was sent to the State Treasurer 20 days late.

Corrective Action Plan:

- A. The agency will submit the Public Depositors Annual Report timely in the future.
- B. The contract fiscal officer will ensure this is done timely.
- C. This was submitted timely for FY2018.
- D. n/a

Finding 2. Agency should strengthen controls to ensure compliance with state laws over the recording of Board minutes –The official records of the meetings were not signed as formally authorized by the Board.

Response: The Board has historically not made its minutes available until they were approved which could not occur until the next time the Board met. The Board will now make its board minutes available upon request pending final board approval, at which time they will be posted on the agency website.

Corrective Action Plan:

- A. The agency is making its board minutes available upon request pending final approval. All minutes will be signed when approved.
- B. Frances Carrillo, Staff Officer, is tasked with this.
- C. Changes were made at the time of the audit, and procedures comply with state law now.
- D. n/a

Finding 3. Agency should strengthen controls to ensure compliance with state laws over cash receipts – Agency is not making timely deposit to the agency's clearing account, and not timely transferring funds to the state treasury.

Response: Although the majority of the agency's revenue is received electronically via the state's portal, the Board acknowledges that there were times, such as during the renewal of licenses, when processing the daily revenue which comes in the mail is very time consuming. There were also times when the employee designated with this task was out of the office, and there was not a method to segregate duties with the remaining staff. The Board has hired a new Deputy Director, and he is working with the contract accountant to develop procedures which will allow for more timely deposits and transfers.

Corrective Action Plan:

- A. The Board has hired a new Deputy Director, and he is working with the contract accountant to develop procedures which will allow for more timely deposits and transfers.
- B. Mr. Mike Lucius, Deputy Director, is working with the contract accountant.
- C. Due to several changes in staffing at the Board, the deposit and transfer procedures have not been totally overhauled, but the timeliness of both have been improved. The Deputy is working on ensuring the separation of duties relating to receipts, deposits and transfers for internal control, to comply with the state law on timely deposits.
- D. n/a

Finding 4. Agency should strengthen controls to ensure compliance with state laws over procurement card purchases – receipts were not signed by the cardholder or purchaser at the agency.

Response: During the audit period, the agency maintained only one purchase card. The cardholder made most purchases for which she was authorized to do, and in the

rare case that others used the card for purchases, it was with her authority. The agency did reconcile the monthly procurement card statements by matching receipts to charges and indicating such with a tic mark on each UMB Visa invoice.

Corrective Action Plan:

- A. Cardholders and purchasers now sign each receipt which is submitted to the accounts payable staffer who continues to reconcile the procurement card statement with the receipts. The monthly invoice is not paid until all receipts are accounted for.
- B. The contract fiscal officer will ensure this is done timely.
- C. The signing of the receipts began immediately after the audit finding was presented to the agency.
- D. n/a

Finding 5. Agency should strengthen controls to ensure compliance with state laws over travel expense – Travel authorization forms were not obtained prior to travel.

Response: The agency did not utilize travel authorizations forms for its infrequent out of state travel. All out of state travel by the board members or staff was approved verbally by the Board and/or the Executive Director.

Corrective Action Plan:

- A. The agency is now requiring the use of Travel Authorization forms for all out of state travel.
- B. The 3 Office Directors ensure that their staff members utilize the forms. The Executive Director and the Deputy Director ensure that Board members utilize the forms.
- C. The agency began utilizing these Travel Authorization forms immediately after the auditor's finding was presented.
- D. n/a

Finding 6. Agency should strengthen controls over the recording of employee leave to ensure compliance with state laws over leave – Some compensatory leave earned and taken was not properly recorded in SPAHRS.

Response: The Board makes every attempt to ensure leave is recorded accurately. A comprehensive Employee Manual governs how leave is accrued, requested and taken.

Corrective Action Plan:

- A. The Board will review its policy with employees to ensure all have a complete understanding of Board requirements concerning earning, taking and recording leave. To ensure leave is properly recorded in the future, the Deputy Director will review and initial the monthly leave accrual reports generated from SPAHRS verifying the accuracy of the leave.

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- B. Mr. Mike Lucius, Deputy Director, will is responsible for this and all Human Resource issues at the agency.
- C. This review by the Deputy Director has begun with the September 2018 payroll.
- D. n/a

Respectfully,

A handwritten signature in black ink, appearing to read "Ken Cleveland", written over a horizontal line.

Kenneth Cleveland, M. D.