



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

February 22, 2018

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

Honorable Lynn Fitch, State Treasurer  
Office of the State Treasurer  
P. O. Box 138  
Jackson, MS 39205

Dear Treasurer Fitch:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Office of the State Treasurer for a period of July 1, 2016 to June 30, 2017. In these findings, the Auditor's Office recommends the Office of the State Treasurer:

1. Strengthen controls over personal, medical and compensatory leave records.

Please review the recommendations and submit a plan to implement them by March 8, 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.

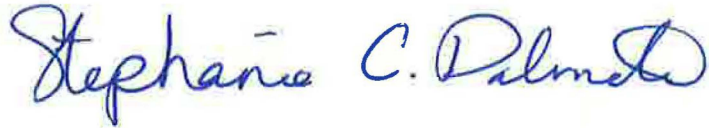
Office of the State Treasurer

February 22, 2018

Page 2

I hope you find our recommendations enable the Office of the State Treasurer to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Office of the State Treasurer throughout the review. 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 written in a cursive, flowing style.

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 Office of the State Treasurer for the Fiscal year ended June 30, 2017. The Office of the State Auditor's staff members participating in this engagement included, Michael Torres CPA, Lee Alford, Katherine Landrum, CPA, Phillip Chu, CPA, and Clayton Southerland.

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 certain matters involving the internal control over financial reporting that require the attention of management. These matters are noted under the heading **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.

#### **OTHER CONTROL DEFICIENCY**

**Finding:** Agency Should Strengthen Controls Over Personal, Medical, and Compensatory Leave

**Executive Summary:** During our review of 12 employees' leave records at the Office of State Treasurer, the auditor noted three instances in which employees' Leave and Attendance Form, which was used instead of the Request for Authorized Leave form, was not submitted timely or was not dated to confirm timely submission.

**Recommendation:** We recommend the Office of the State Treasurer strengthen controls to ensure their Policy and Procedures Manual is updated in a timely manner, as well as strengthen controls to ensure their personnel are accurately and timely submitting their leave documents to the Human Resources Office in accordance with their Policy and Procedures Manual.

**Finding Detail:** During our review of 12 employees' leave records at the Office of State Treasurer, the auditor noted three instances in which employees' Leave and Attendance Form, which was used instead of the Request for Authorized Leave form, was not submitted timely or was not dated to confirm timely submission.

The Office of State Treasurer (OST)'s leave policies section 3.4 states, "The employee requesting leave and the employee's supervisor must complete a Request for Authorized Leave form prior to the date(s) of requested leave. OST employees may request personal, major medical and compensatory leave in one-half hour increments. Request for Authorized Leave forms filled with less than one-half hour increments will be returned for correction. Supervisors are responsible for approving or disapproving all leave prior to the date(s) of requested leave unless the absence was unplanned due to illness or a family member's illness. The Request for Authorized Leave form should be completed and sent to the Human Resources Office as soon as possible to ensure accurate payroll records. All leave forms should be submitted to the Human Resources Office by the 10th day of the following month."

The office of the State Treasurer replaced the Request for Authorized Leave form with the Leave and Attendance Form effective October 1, 2016. The new form was introduced and explained at the agency wide staff meeting on September 20, 2016 by the Deputy State Treasurer. However, the Office of State Treasurer's Policy and Procedures Manual has not been revised to reflect this change in internal policy. The primary difference between the two forms is the new form is a monthly document, whereas the previous form was a daily document.

Failure by the Agency to enforce their policy regarding the request for authorized leave form could result in inadequate support for leave taken by employees. In addition, employees not dating and submitting timesheets in a timely manner can lead to agency incorrectly applying leave used during the period. Inaccurate leave reporting could result in a misstatement in the State of Mississippi's Financial Statements. Additionally, incorrect information could be reported and used in the State's Retirement Plan.

**End of Report**



**OFFICE OF THE STATE TREASURER**  
**LYNN FITCH**  
**TREASURER**

**COMPLIANCE REVIEW FINDINGS**

March 8, 2018

The Honorable Stacey E. Pickering  
State Auditor  
Post Office Box 956  
Jackson, Mississippi 39205-0956

Dear Auditor Pickering:

In accordance with your correspondence dated February 22, 2018, the Office of the State Treasurer (OST) is providing the following response for the compliance review findings for the fiscal year ended June 30, 2017.

**AUDIT FINDINGS:**

**Agency Should Strengthen Controls Over Personal, Medical, and Compensatory Leave**

The Office of the State Treasurer concurs with the finding to the extent that not all Leave and Attendance forms were signed, dated, and returned by the tenth of the month as outlined in the OST internal policy and procedures manual.

**Corrective Action Plan:**

- A. The OST will review and update the internal policy and procedures manual and notify all employees of the changes and effective date.
- B. OST HR staff will create a process to ensure all timesheets are completed, dated, and signed prior to the internal due date.
- C. OST HR staff will work with divisional directors to ensure full compliance with internal deadlines around all Leave and Attendance forms.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lynn Fitch", is written over a circular blue ink stamp.

Lynn Fitch  
Treasurer  
State of Mississippi