

# State of Mississippi

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards***

for the Fiscal Year Ended June 30, 2017



**Stacey E. Pickering**

State Auditor

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

**INDEPENDENT AUDITOR'S REPORT ON**  
**INTERNAL CONTROL OVER FINANCIAL REPORTING**  
**AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF**  
**FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE**  
**WITH *GOVERNMENT AUDITING STANDARDS***

The Governor, Members of the Legislature  
and Citizens of the State of Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi (the State), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the State's basic financial statements, and have issued our report thereon dated February 16, 2018. Our report includes a reference to other auditors who audited the financial statements of the following, as described in our report on the State of Mississippi's financial statements:

- Government-wide Financial Statements

- Governmental Activities

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Marine Resources, the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Department of Public Safety, the Department of Rehabilitation Services, the Mississippi Department of Health, and the Mississippi Department of Education which, in the aggregate, represent 6% and 19%, respectively, of the assets and revenues of the governmental activities;

- Business-type Activities

- AbilityWorks, Inc. within the Department of Rehabilitation Services, the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, the Department of Finance and Administration State Life and Health Plan, and the Unemployment Compensation Fund which, in the aggregate, represent 98% and 91%, respectively, of the assets and revenues of the business-type activities;

- Component Units
    - the Universities and the nonmajor component units.
  - Fund Financial Statements
    - Governmental Funds
      - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Marine Resources, Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Department of Public Safety, the Department of Rehabilitation Services, the Mississippi Department of Health, and the Mississippi Department of Education, which, in the aggregate, represent 20% and 11%, respectively, of the assets and revenues of the General Fund;
    - Proprietary Funds
      - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program and the Unemployment Compensation Fund which are considered major enterprise funds;
    - Aggregate Remaining Funds
      - Nonmajor enterprise funds for AbilityWorks, Inc. within the Department of Rehabilitation Services and the Veterans' Home Purchase Board;
      - the Pension Trust Funds;
      - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;
- all of which represent 100% and 100%, respectively, of the assets and revenues of the aggregate remaining funds.

Except for the major component unit Universities, this report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. This report does not include the results of the other auditor's testing of internal control over financial reporting and compliance and other matters for the major component unit Universities that are reported on separately by those auditors.

The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, and the State Institutions of Higher Learning Tort Liability Fund, which were audited by other auditors upon whose reports we are relying, were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these funds or entities.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we and other auditors considered the State of Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Mississippi's internal control.

Our and the other auditors' consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings", we and other auditors identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as items 2017-001, 2017-002, 2017-005, 2017-006, 2017-011, 2017-014, 2017-015, 2017-018, 2017-022, 2017-025, 2017-027, 2017-028, 2017-029, 2017-030, 2017-031, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as items 2017-003, 2017-004, 2017-007, 2017-008, 2017-009, 2017-010, 2017-012, 2017-013, 2017-016, 2017-017, 2017-019, 2017-020, 2017-021 to be significant deficiencies.

We and the other auditors also noted certain matters involving the internal control over financial reporting, which we have reported to management of the applicable state agencies and institutions of the State of Mississippi in separate communications.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Mississippi's financial statements are free from material misstatement, we and other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as items 2017-009, 2017-010, 2017-019.

We and the other auditors also noted certain matters which we have reported to management of the State of Mississippi in separate communications.

## **Management's Response to Finding**

Management's response to the findings identified in our audit is described in the accompanying "Management's Response and Corrective Action Plan" section. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State of Mississippi's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



**Stephanie C. Palmertree, CPA, CGMA**  
Director, Financial and Compliance  
Audit Division

Jackson, Mississippi  
February 16, 2018



**Schedule of Findings and Questioned Costs:  
Part 1  
Summary of Auditor's Results**



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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

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PART 1 – SUMMARY OF AUDITOR’S RESULTS

*Financial Statements*

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X yes      \_\_\_ no
- Significant deficiencies identified? X yes      \_\_\_ none reported

Noncompliance material to financial  
statements noted?

X yes      \_\_\_ no

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**Schedule of Findings and Questioned Costs:  
Part 2  
Financial Statement Findings**



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STATE OF MISSISSIPPI

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

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PART 2 – FINANCIAL STATEMENT FINDINGS

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**Finding Number**   **Finding and Recommendation**

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**DEPARTMENT OF EDUCATION**

**MATERIAL WEAKNESSES**

**2017-014**      The Office of Accounting internal controls and procedures over review and reconciling MDE's general ledger account did not detect materially misstated account balances.

**Repeat Finding**      Yes; Material Weakness Finding 2016-036

**Criteria**      Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. MDE must establish and maintain effective internal control over financial reporting to provide reasonable assurance that financial reports are accurate and supported.

**Condition**      The GAAP package for fund 5320100000 prepared by the Office of Accounting and submitted to the Department of Finance and Administration (DFA) was materially misstated; which has not detected by the Office of Accounting. The year-end account balances for due from federal government, unearned federal revenue, accounts payable, and the related expenditures were materially misstated.

**Cause**      The Office of Accounting does not have procedures for reviewing and reconciling the Department's general ledger and account detail for the selected funds throughout the year or at year-end.

**Effect**      The due to federal government and unearned federal revenue account balances were overstated by \$42,026,163 and \$7,510,365, respectively. Adjustments were also made to accounts payable in the amount of \$3,405, 569.

**Recommendation**      MDE should develop and implement procedures for reviewing the general account balance detail for each fund. All transactions recorded by DFA should be reviewed, supported and agreed to by MDE. MDE should notify DFA of adjustments within the account detail that should be made. While DFA is responsible for posting year-end accruals and entity-wide journal entries for statewide reporting purposes, MDE's (and all state departments) general ledger account balances are the Department's responsibility.

**Views of Responsible Officials**      Management at the Mississippi Department of Education concurs with the finding. See additional comments in the Corrective Action Plan on page 41 of this audit report.

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**STATE OF MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PART 2 – Financial Statement Findings (continued)**

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<b>2017-015</b>	<u>Procedures over accounting for grants should be strengthened in order to accurately present grant activity and the related grants receivable, due from federal government and unearned federal revenue account balances.</u>
<b>Repeat Finding</b>	Yes; Material Weakness Finding 2016-037
<b>Criteria</b>	Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. MDE must establish and maintain effective internal control over financial reporting to provide reasonable assurance that financial reports are accurate and supported.
<b>Condition</b>	<p>The account balance detail for grants receivable (due from federal government) and unearned federal revenue was not supported by the activity of individual grant. The Office of Accounting maintains the grant schedule which is used to assist the Office of Accounting with determining the year-end grants receivable and related unearned revenue account balance. We selected grants receivable and unearned federal revenue transactions for testing and noted that the transactions may not reflect the year-end activity of the individual grant, but rather the activity of several grants within the specific federal program (Title I, Special Education Cluster, etc. Child Nutrition Cluster) or grants closed in prior years. The schedule is maintained based on grant activity in MAGIC.</p> <p>For GAAP package reporting purposes, grants with excess cash receipts over expenditures were identified as unearned and grants with excess expenditures over cash receipts was identified as a receivable, which resulted in materially misstated grants receivable and unearned revenue account balances. In order to determine the grants receivable and unearned federal revenue balance, the total grant activity at the program level was used.</p> <p>Grants receivable and unearned revenue should be calculated at the individual grant award level order to accurately determine the grants receivable and unearned grant revenue balances at year-end.</p>
<b>Cause</b>	DFA instructed MDE to report the grant activity separately for each grant. MDE did not update the grant schedule accordingly; therefore, the GAAP package presentation did not reflect the accurate account balance for due from federal government and unearned federal revenue.
<b>Effect</b>	The accounts receivable and unearned federal revenue account balances were overstated by \$42,026,163 and \$7,510,365, respectively.
<b>Recommendation</b>	We recommend that MDE continue to report new and future grant activity by each grant, and retroactively update grant activity in order to accurately reflect the grants in MAGIC. Also, until DFA accurately reflects the individual grant activity in MAGIC, a grant schedule should accurately reflect the grant activity of each grant and be reconciled to MAGIC. This will provide support for the year-end adjustment and reporting of the grants receivable and unearned revenue account balance.



STATE OF MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
PART 2 – Financial Statement Findings (continued)

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**Views of Responsible**

**Officials** Management at the Mississippi Department of Education concurs with the finding. See additional comments in the Corrective Action Plan on page 42 of this audit report.

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**SIGNIFICANT DEFICIENCIES**

**2017-016** Procedures over documentation of employee's leave and reconciliation of the department's leave balance to the Statewide Payroll and Human Resource System (SPAHRs) needs to be strengthened.

**Repeat Finding** No

**Criteria** Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. MDE must establish and maintain effective internal control over financial reporting to provide reasonable assurance that financial reports are accurate and supported.

**Condition** During our test of effectiveness over compensation, we noted that documentation to support approved leave for one employee was not provided. Furthermore, MDE did not provide documentation of timely review and reconciliation of employee's leave balances to SPAHRs for fourteen employees, and did not provide documentation of the review for eight employees.

**Cause** The department leave keepers did not consistently comply with MDE's procedures for documenting approved leave and reviewing SPAHRs leave report.

**Effect** MDE's aggregate compensating leave balance may be incorrect. The risk of employee's abuse of leave may increase due to inconsistent application of procedures and controls.

**Recommendation** MDE should review the current procedures over employee's leave to determine if the procedures adequately instruct the departments and schools on documenting employee's leaves and performing timely reviews of employee's leave balances in SPAHRs.

**Views of Responsible**

**Officials** Management at the Mississippi Department of Education concurs with the finding. See additional comments in the Corrective Action Plan on page 42 of this audit report.

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**2017-017** Procedures over recording vendors disbursements in the correct period needs to be strengthened.

**Repeat Finding** No

**STATE OF MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PART 2 – Financial Statement Findings (continued)**

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<b>Criteria</b>	Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. MDE must establish and maintain effective internal control over financial reporting to provide reasonable assurance that financial reports are accurate and supported.
<b>Condition</b>	During our testing of the accounts payable balance, we identified several transactions that were incorrectly recorded as fiscal year 2018 instead of fiscal year 2017.
<b>Cause</b>	The transactions were incorrectly recorded due to a data entry error.
<b>Effect</b>	MDE's accounts payable balance at year-end was incorrect.
<b>Recommendation</b>	MDE should review the current procedures to ensure that staff are instructed to record vendor disbursements based on the accounting period in which the service was performed and/or good received.
<b>Views of Responsible Officials</b>	Management at the Mississippi Department of Education concurs with the finding. See additional comments in the Corrective Action Plan on page 43 of this audit report.

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STATE OF MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
PART 2 – Financial Statement Findings (continued)

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**DEPARTMENT OF ENVIRONMENTAL QUALITY**

**MATERIAL WEAKNESSES**

<b>2017-031</b>	<u>Controls Over the Recording of Accounts Payable Should be Strengthened.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	Invoices received during the 60 day lapse period after each fiscal year ended June 30 <sup>th</sup> should be accrued and charged against the appropriate budget amount.
<b>Condition</b>	During our audit, we sampled several invoices and tested for proper accrual. Multiple invoices, both material and non-material to the financial statements missed the cutoff period and were not accrued as of June 30, 2017.
<b>Cause</b>	Invoices were received very late from vendors or from various departments within the Agency not remitting invoices timely to the central office to be processed by the accounting department.
<b>Effect</b>	As a result, these invoices were posted as expenses in fiscal year 2018. Audit adjustments were posted totaling approximately \$1,680,000 to accrue these amounts as of June 30, 2017.
<b>Recommendation</b>	We recommend procedures be put in place in which Agency personnel can make a reasonable effort to obtain invoices from vendors in a timely manner and submit them to the accounting department for processing and accrual during the lapse period as required.
<b>Views of Responsible Officials</b>	Management at the Mississippi Department of Environmental Quality concurs with the finding. See additional comments in the Corrective Action Plan on page 45 of this audit report.

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STATE OF MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
PART 2 – Financial Statement Findings (continued)

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**DEPARTMENT OF FINANCE AND ADMINISTRATION**

**MATERIAL WEAKNESSES**

**2017-001**                      The Department of Finance and Administration Should Strengthen the Process for Compiling the Comprehensive Annual Financial Statements and the Schedule of Expenditures of Federal Awards.

**Repeat Finding**            Yes; 2015-030 and 2016-010; Material Weakness Findings

**Criteria**                      *Section 27-104-4, Miss. Code Ann. (1972)* requires each state agency to prepare annual financial statements at such times as determined by the State Fiscal Officer. The State Fiscal Officer is required to combine the financial statements into a comprehensive annual financial report (CAFR) and provide it to the State Auditor for post auditing. The law further requires the CAFR be published within six months after the June 30 close of the fiscal year. In addition, the Government Finance Officers Association (GFOA) requires CAFRs to be submitted within six months of the government's fiscal year end.

In addition, the Single Audit Act requires the State to issue the Single Audit Report within nine months of fiscal year end, and no extensions are granted. The independent auditor's report on internal control over financial reporting and the Schedule of Expenditures of Federal Awards (SEFA) are both required to be included in the Single Audit Report and both are an integral part of the financial audit of the State. The failure to timely complete the CAFR could also hinder the timely submission of the Single Audit Report which could result in the suspension of federal discretionary drawdowns.

**Condition**                      The Department of Finance and Administration (DFA) was unable to provide the Office of the State Auditor with the necessary financial information to perform the audit of the CAFR within six months of the close of the 2017 fiscal year. Further, reporting issues at various individual state agencies as well as DFA's current financial reporting process has hindered the ability of DFA to prepare a complete CAFR timely. The process is overly dependent on the post-audit program being a part of the internal control over financial reporting even though good internal controls state that the post-audit function should not be an internal control mechanism for any operational activity related to financial reporting. After financial packets were received from state agencies and reviewed by DFA, errors were noted by auditors that required adjusting journal entries to correct.

Other issues that required the financial information to be delayed included:

1. Significant errors in the recording of interagency receivables and payables (see finding 2017-005 for more detailed information);
2. Misstatements in amounts owed to/from federal agencies;
3. Transfer errors between funds;
4. Inaccuracies in financial reports produced by agencies; and
5. Untimely submission of closing GAAP Packets by the following agencies:

**STATE OF MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PART 2 – Financial Statement Findings (continued)**

Auctioneer Commission	Board of Dental Examiners
Board of Veterinary Medicine	Department of Archives and History
Department of Education	Department of Employment Security
Department of Environmental Quality	Department of Health
Department of Mental Health	Department of Public Safety
Department of Rehabilitation Services	Division of Medicaid
Ellisville State School	Insurance Department
Joint Legislative Reapportionment Committee	Mississippi Department of Banking and Consumer Finance
Mississippi Business Finance Corporation	Mississippi Development Authority
Mississippi Department of Transportation	Mississippi Public Utilities Staff
Mississippi Department of Wildlife, Fisheries, Parks	North Mississippi Regional Center
Mississippi Supreme Court	South Mississippi Regional Center
Public Service Commission	Specialized Treatment Facility
South Mississippi State Hospital	State Veterans Affairs Board
State Public Defender	

It should be noted that the Department of Finance and Administration – Office of Financial Reporting (DFA-OFR) obtained an extension for the CAFR from GFOA this year due to significant turnover in executive and management level personnel in state agencies. Additionally, DFA-OFR has made significant improvements in the overall consolidation process.

**Cause** Over reliance on the accounting knowledge and expertise of the centralized accounting functions at DFA - OFR. See finding 2017-006 for additional information regarding this area

**Effect** The failure of DFA-OFR to compile financial and federal award information accurately and in a timely manner resulted in the CAFR not being published in accordance with state law and hindered the efficiency of the audit of the State of Mississippi's financial statements. In addition, these delays could result in the state not being awarded a Certificate of Achievement for Excellence in Financial Reporting by GFOA. Receiving GFOA's certificate increases the likelihood that credit agencies or other stakeholders may consider the state's financial statements in a positive manner. The timeliness of the CAFR being published impacts its relevance to the various users of the CAFR.

**Recommendation** We recommend the Mississippi Department of Finance and Administration implement procedures to ensure the timely compilation of financial and federal award information in order to help ensure the CAFR and Single Audit Report are both published in accordance with state and federal law.

**Views of Responsible Officials** Management at the Mississippi Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page

STATE OF MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
PART 2 – Financial Statement Findings (continued)

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**2017-002**                      Written Policies and Procedures Should be in Place Related to Accounting and Reporting Matters.

**Repeat Finding**            Yes; 2015-031 and 2016-009; Material Weakness Findings

**Criteria**                      *Section 27-104-3 Miss. Code Ann. (1972)* requires that the Department of Finance and Administration (DFA) prepare and issue a comprehensive reference manual or manuals of policies and procedures for each state agency and department to use, which may include chapters on various fiscal responsibilities, and maintaining financial records and preparing financial reports. DFA is also responsible for updating the manual(s) on a continuing basis.

Historically, DFA provided agencies with the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual, which provided agencies with policies and procedures related to the accounting system, input documents, output documents, internal control procedures, and accounting and reporting matters.

DFA has begun the process of rewriting sections of the MAAPP manual but has not completed a complete revision.

**Condition**                      During our review of the internal control environment for fiscal year 2017, we noted that the MAAPP manual has not been updated since the implementation of the Mississippi Accountability System for Government Information and Collaboration (MAGIC) on July 1, 2014, and does not consider system and accounting procedures specific to the MAGIC environment.

**Cause**                              DFA has not updated the MAAPP manual to reflect new policies and procedures since the implementation of MAGIC.

**Effect**                              Failure to have an adequate policy and procedure manual governing statewide accounting policies and procedures could result in misappropriation of assets and material misstatements in financial statements.

**Recommendation**            To minimize the risk of financial misstatements and system security compromise, we recommend DFA update the MAAPP manual to ensure relevance of policies and procedures related to the accounting and internal control procedures in the statewide accounting system.

**Views of Responsible Officials**                      Management at the Mississippi Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 48 of this audit report.

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**STATE OF MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PART 2 – Financial Statement Findings (continued)**

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**2017-005**                      The State of Mississippi Should Strengthen the Process for Recording Interagency Transfers, Payables and Receivables.

**Repeat Finding**            Yes; 2016-011 Material Weakness Finding

**Criteria**                      *Section 27-104-3 Miss. Code Ann. (1972)* requires that the Department of Finance and Administration (DFA) prepare and issue a comprehensive reference manual or manuals of policies and procedures for each state agency and department to use, which may include chapters on receipts, warrants and expenditures. DFA is also responsible for updating the manual(s) on a continuing basis.

**Condition**                      During testing for fiscal year 2017, we noted inconsistencies in the way differing state agencies accounted for interagency payables, receivables and transfers. We also noted that, due to these inconsistencies, the Department of Finance and Administration (DFA) were required to make reclassification and adjusting journal entries of approximately \$41 million in order to ensure material misstatement of the financial reports did not occur.

**Cause**                              Lack of governing policies regarding the recording of interagency payables, receivables and transfers. Additionally, lack of overriding controls in the statewide accounting system.

**Effect**                              The failure of the State to require consistency in the accounting treatment of payables, receivables and transfers could lead to material misstatement of the Comprehensive Annual Financial Report.

**Recommendation**          We recommend the Mississippi Department of Finance and Administration implement overarching policies and procedures regarding interagency transfers, payables and receivables and communicate these policies to state agencies.

**Views of Responsible Officials**                      Management at the Mississippi Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 48 of this audit report.

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**2017-006**                      The State of Mississippi Should Require Chief Fiscal Officers of State Agencies to hold Minimum Accounting Qualifications and Attend Mandatory Training.

**Repeat Finding**            Yes; 2016-012 Material Weakness Finding

**Criteria**                      *Section 7-7-3 Miss. Code Ann. (1972)* states that the State Fiscal Officer (as defined by *Section 21-104-6 Miss. Code Ann. (1972)* as the Executive Director of the Department of Finance and Administration) shall conduct training seminars on a regular basis to ensure that agencies have access to persons proficient in the correct use of the statewide accounting system.

**STATE OF MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PART 2 – Financial Statement Findings (continued)**

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*Section 7-7-211 Miss. Code Ann. (1972)* authorizes the State Auditor to establish training course and programs for the personnel of the various state and local governmental entities. These courses shall include, but are not limited to, topics on internal control, purchasing and property, governmental accounting and financial reporting, and internal auditing.

*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 is a commitment to competence that demonstrates a commitment to retain competent employees. This principle of competency can be achieved through analysis of skills required for positions, training and development training.

**Condition** During testing for fiscal year 2017, we noted, through inquiry and observation, that the overall expertise level of accounting staff in various state agencies was not consistent, and that job requirements often did not specify applicants hold any specific accounting or governmental knowledge. We also noted that, although the Department of Finance and Administration (DFA) held GAAP conversion and accounting training courses to aid state agencies in compiling financial information, it was not a mandatory requirement and often agency personnel did not attend. Likewise, qualification and skill requirements were not consistently applied to Chief Financial Officers throughout the various state agencies.

The lack of overall understanding and application of proper accounting standards required the centralized accounting function of the state, DFA, to prepare significant adjusting and reclassification entries in order to prevent material misstatement. While the majority of entries would not have materially misstated accounts individually, in the aggregate, without adjustment, the financials would have been materially misstated.

**Cause** Lack of consistently applied agency qualifications for accounting personnel.

**Effect** The failure of the State to hire and retain competent staff could result in material misstatement of the financial statements.

**Recommendation** We recommend the Mississippi Department of Finance and Administration implement mandatory training sessions for accounting personnel and Chief Fiscal Officers. Additionally, we recommend the State of MS implement minimum qualifications for Chief Financial Officers.

**Views of Responsible Officials** Management at the Mississippi Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 49 of this audit report.



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2017-027                      Segregation of Duties Conflicts Exist within the Mississippi Accountability System for Government Information and Collaboration.

**Repeat Finding**            Yes; 2015-029 and 2016-008 Material Weakness Findings

**Criteria**                      *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 control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. At a minimum, the following functions are considered incompatible for proper segregation of duties:

- Custody
- Authorization or approval
- Recording or reporting

When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within MAGIC to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

The Corrective Action Plans submitted in the fiscal year 2015 and 2016 audits of the Department of Finance and Administration (DFA) indicated that DFA personnel would require and certify that agencies had completed quarterly access reviews.

**Condition**                      During testwork performed for the fiscal year 2017, we noted the following prior year findings had not been corrected:

- Agencies did not certify annually that they had completed user access reviews quarterly.
- DFA did not review or verify that agencies were completing user access reviews on a quarterly basis or require annual certifications of access reviews.
- Ability to enter, post and approve transactions was not appropriately restricted to personnel.
- Ability to enter, post and approve transactions in the E-Grants (CRM) system was not appropriately restricted to agency personnel.

DFA has made notable progress in reducing segregation of duties conflicts each year since the initial implementation of MAGIC. A substantial number of improvements need to be implemented on an agency by agency level; however,

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	overarching policies for review by DFA can help facilitate the process of agency level scrutiny.
<b>Cause</b>	There are inadequate controls surrounding MAGIC's user access, monitoring, and segregation of duties.
<b>Effect</b>	Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of misappropriation of assets, inappropriate changes to data or files and both unintentional and intentional unauthorized activity which can result in misstatement of financial position. Additionally, with the augmented risk of misstatements of financial position, the need for timely and accurate reviews and appropriate control monitoring increases significantly. Further, such situations increase the need for additional documentation, outside monitoring, manual review, and external verification of MAGIC activities and transactions.
<b>Recommendation</b>	We recommend that the Department of Finance and Administration (DFA) take the necessary steps to ensure user access is granted to all users under the "least privilege" principle and ensure that agencies are performing at least quarterly user access reviews of all user access (including contractors) to their business area. Agencies should certify to DFA on an annual basis that they have completed user access reviews at least quarterly. We additionally recommend that DFA develops a mechanism to ensure that agencies are complying with quarterly access review recommendations.
<b>Views of Responsible Officials</b>	Management at the Mississippi Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 50 of this audit report.

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**2017-028**                      Controls Should Be Strengthened Over the Security Audit Log of Mississippi's Accountability System for Government Information and Collaboration.

**Repeat Finding**            Yes; 2015-027 Material Weakness Finding

**Criteria**                      Mississippi's Accountability System for Government Information and Collaboration (MAGIC) serves as the centralized statewide accounting system. State agencies utilize MAGIC on a daily basis as the State's general ledger necessary to prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles.

Good internal controls dictate that all transactions and other significant events be clearly documented and readily available for examination. This audit trail, or security audit log, documentation should include evidence on how transactions are initiated, processed, recorded and summarized. Additionally, proper audit trail documentation also includes evidence of transactions that may have been voided, deleted, or changed after approval and initiation.

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Inherent in the MAGIC system is a security audit log. This log records the following:

- Successful and unsuccessful dialog logon attempts
- Successful and unsuccessful transaction starts
- Successful and unsuccessful report starts
- Changes to user master records

Subsequent to the release of the 2015 CAFR, DFA turned on the audit logging functionality in the MAGIC system. However, the system logged every keystroke and the log file quickly became too burdensome to review or to maintain. DFA determined that the audit logging function was not serving the intended purpose and discontinued logging. DFA is in the process of evaluating alternate methods of exception based logging for the MAGIC system.

**Condition** During testwork performed for the fiscal year 2017 audit, we noted the following exceptions:

- Security audit logging functionality was not enabled for the MAGIC system; thereby eliminating the ability to monitor transactional changes in the MAGIC system.
- There is no formal review process for changes to critical MAGIC tables.
- Critical file data is not locked in production.

**Cause** Unknown

**Effect** Failure to adequately log transactional changes and to periodically review logs for appropriateness could result in untimely modification of data, security configuration changes, or fictitious transactions.

**Recommendation** We recommend that the Department of Finance and Administration enable the exception security audit log functionality in Mississippi's Accountability System for Government Information and Collaboration system and strengthen controls over the periodic review of such logs.

**Views of Responsible Officials** Management at the Mississippi Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 51 of this audit report.

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**SIGNIFICANT DEFICIENCIES**

**2017-003** Controls Should Be Strengthened Over the Vendor Master File and Issuance of Payments to One Time Vendors

**Repeat Finding** Yes; 2015-032 and 2016-016; Significant Deficiency Findings

**Criteria** The Department of Finance and Administration (DFA) is responsible for final approval of certain types of warrants issued by the State of Mississippi. These

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warrants are initially approved at the Agency level and then routed to DFA for final approval. Before warrants can be approved for payment, vendor information must be entered into the State's accounting system – Mississippi's Accountability System for Government Information and Collaboration (MAGIC). Vendors are then assigned a unique numerical identifier so that payments can be documented and an audit trail can be reviewed.

Occasionally, warrants need to be issued on a singular basis to vendors. These "one time vendor" warrants are assigned a default vendor number and are not assigned a unique identifier. If, during the course of business, the same vendor requires additional warrants, agencies are required to request vendor information and enter the vendor into the MAGIC system, thereby assigning a unique identifier for future transactions.

In order to comply with The Code of Laws of the United States of America (26 U.S. Code Section 6041) regulations on the issuance of payments of \$600 or more, DFA has written policies to prohibit the use of the "one time vendor" distinction for any person or business issued a warrant for over \$600 for services rendered. DFA has classified certain expense general ledger accounts as "1099 vendor accounts" and will not approve warrants to any "one time vendor" when these general ledger accounts are expensed.

<b>Condition</b>	<p>During testwork performed for the fiscal year 2017 audit, we noted the following exceptions:</p> <ul style="list-style-type: none"><li>• 6,098 instances in which the vendors classified as one time vendors were paid multiple warrants from the same state agency; therefore, vendor information was not appropriately requested or entered in the vendor master file.</li><li>• Vendor master file data was not reviewed to ensure accuracy and completeness.</li></ul>
<b>Cause</b>	<p>DFA does not have adequate controls over the review of vendor master data.</p>
<b>Effect</b>	<p>Failure to periodically review vendor master data to ensure accurate and complete vendor information has been requested and entered can lead to an increased risk of creating fictitious, incorrect, or duplicate payments and a possible misstatement of financial position. Additionally, failure to review one time vendor payments could result in erroneous tax reporting.</p>
<b>Recommendation</b>	<p>We recommend that the Department of Finance and Administration strengthen policies over the use of the one-time vendor code and conduct a regular review of the vendor master file to ensure complete and accurate vendor information has been entered.</p>
<b>Views of Responsible Officials</b>	<p>Management at the Mississippi Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 52 of this audit report.</p>

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**2017-004**                      Controls Should Be Strengthened Regarding Updated Policies and Procedures Relating to Journal Entry Approvals.

**Repeat Finding**            Yes; 2016-017 Significant Deficiency finding

**Criteria**                      *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 control activities such as providing adequate policies and procedures to personnel have been implemented. These controls should include accurate and updated controls over how transactions are initiated, authorized, recorded, processed and reported.

**Condition**                      During testwork performed for the fiscal year 2017 audit, we noted inadequate documentation of the approval process for journal vouchers was provided. Documentation had not been updated since the implementation of MAGIC and still referenced controls and policies in use in the outdated statewide accounting system.

**Cause**                              DFA has not updated their internal policies to reflect changes in the accounting system since the implementation of MAGIC.

**Effect**                              Failure to update approved processes could lead to misappropriation of assets and material misstatements in financial statements.

**Recommendation**          We recommend that the Department of Finance and Administration revise and update policies and procedures and that they be distributed to all applicable employees.

**Views of Responsible Officials**                      Management at the Mississippi Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 53 of this audit report.

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**2017-007**                      Reports regarding the Cash Reconciliations in the Accounting System should be Accurate and Timely.

**Repeat Finding**            Yes; 2015-028 Material Weakness Finding and 2016-018 Significant Deficiency Finding

**Criteria**                              The Department of Finance and Administration (DFA) is required to maintain the State's general ledger necessary to support the preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles. Additionally, DFA should have policies and controls in place to ensure the State's cash balances maintained in the statewide accounting system, Mississippi's Accountability System for Government Information and Collaboration (MAGIC), reconciles to the Mississippi Office of the State Treasurer's (OST) cash balances to prevent and detect a material misstatement in the financial statements in a timely manner.

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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 control activities, such as cash reconciliations, are performed timely and accurately.

<b>Condition</b>	During testwork performed for the fiscal year 2017 audit, we noted that the Daily Average Cash Balance (DCAB) reports needed by the Office of the State Treasurer (OST) to reconcile bank records with OST financial records were not accurate and were not provided to OST by DFA timely.
<b>Cause</b>	DFA is still in the process of designing the DCAB reports since the implementation of MAGIC.
<b>Effect</b>	Failure to perform timely reconciliations can result in the possible risk of material misstatement of financial position and fraud.
<b>Recommendation</b>	We recommend that the Department of Finance and Administration prepare and provide accurate cash reports to the Office of the State Treasurer.
<b>Views of Responsible Officials</b>	Management at the Mississippi Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 53 of this audit report.

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**DEPARTMENT OF HEALTH**

**MATERIAL WEAKNESSES**

<b>2017-025</b>	<u>Controls Over the Financial Reporting Process Should be Strengthened.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.
<b>Condition</b>	The Mississippi State Department of Health (MSDH)'s procedures to ensure all significant revenue related to services provided through the clinics received after the lapse period are properly estimated and accrued into the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) need to be established.
<b>Cause</b>	MSDH does not have an appropriate process to review, analyze and record an allowance for doubtful accounts related to services provided in the clinics.
<b>Effect</b>	As a result, a material current year audit adjustment was recorded related to services provided through the clinics.
<b>Recommendation</b>	For accounts receivable related to services provided in the clinics, we recommend management review, analyze and record an allowance for doubtful accounts on a monthly or quarterly basis. Management should compare actual results (cash collected and contractual allowances) to recorded estimates.
<b>Views of Responsible Officials</b>	Management at the Mississippi Department of Health concurs with the finding. See additional comments in the Corrective Action Plan on page 55 of this audit report.

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**DEPARTMENT OF HUMAN SERVICES**

**SIGNIFICANT DEFICIENCY**

**2017-021**                      Controls over Statewide Payroll and Human Resource System (SPAHRS) Security Access and Accrued Compensated Absences Should be Strengthened.

**Repeat Finding**        No

**Criteria**                      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 Statewide Payroll and Human Resources System (SPAHRS) User IDs/access be deactivated promptly for individuals no longer employed at the agency.

Good internal controls also dictate that employee leave recorded in SPAHRS be reviewed by agency personnel to ensure that employee time report cards are in agreement with leave that is entered in SPAHRS. In addition, the agency should periodically ensure employee leave balances are also in agreement with DFA's Accrued Compensated Absence Report.

**Condition**                      During our review over SPAHRS security access at the Mississippi Department of Human Services (MDHS) in fiscal year 2017, the following issues were noted:

- Four instances in which the individuals listed on the 9/30/2016 SPAHRS Security report were no longer employed at the agency but continued to have an active SPAHRS User ID.
- Seven instances in which individuals listed on the 12/31/2016 SPAHRS Security report were no longer employed at the agency but continued to have an active SPAHRS User ID.
- Seven instances in which individuals listed on the 3/31/2017 SPAHRS Security report were no longer employed at the agency but continued to have an active SPAHRS User ID.
- Nine instances in which individuals listed on the 6/30/2017 SPAHRS Security report were no longer employed at the agency but continued to have an active SPAHRS User ID.

During our testwork over accrued compensated absences for fiscal year 2017, we noted that in five of the ten employee leave balances tested that the cumulative 2017 leave reports in SPAHRS did not agree to the employee submitted time reports. Differences between employee time report card annual totals and SPAHRS balances ranged from 10 to 84 hours.

MDHS records employees' personal leave taken in SPAHRS from employee time report cards. Monthly time report cards are completed by an employee, reviewed by their supervisor then provided to the district timekeeper for input into SPAHRS



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<b>Cause</b>	MDHS did not terminate access for separated employees in a timely manner or reconcile leave records to amounts recorded in SPAHRS.
<b>Effect</b>	<p>Failure to maintain adequate internal controls over SPAHRS User IDs/access could allow fraud to occur without being detected promptly.</p> <p>Failure to accurately input employee leave balances in SPAHRS and conduct a reconciliation to DFA's Accrued Compensated Absence Report could result in a misstatement of the accrued compensated absences liability balance for GAAP financial reporting and could yield incorrect available leave balances for employees.</p>
<b>Recommendation</b>	<p>We recommend the Mississippi Department of Human Services review SPAHRS User IDs to ensure that an employee's access to SPAHRS is deactivated immediately upon termination of that individual's employment with the agency.</p> <p>In addition, we recommend the agency strengthen internal controls related to their personal leave policies and procedures. The agency should establish procedures for reconciling their internal employee leave records to DFA's Accrued Compensated Absence Report to ensure that the accrued compensated leave liability balance for GAAP financial reporting purposes is properly stated.</p>
<b>Views of Responsible Officials</b>	Management at the Mississippi Department of Human Service concurs with the finding. See additional comments in the Corrective Action Plan on page 57 of this audit report.

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**DEPARTMENT OF REHABILITATION SERVICES**

**MATERIAL WEAKNESS**

<b>2017-022</b>	<u>Controls Over the Reporting of Federal Revenue Should be Strengthened.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.
<b>Condition</b>	Certain revenues totaling \$1,354,773 in General Fund 5334000000 were not recognized when they became measurable and available.
<b>Cause</b>	The Department's accounting policies and procedures did not allow for these transactions to be applied to the appropriate period in accordance with the modified accrual basis of accounting.
<b>Effect</b>	A restatement of beginning fund balance for General Fund 5334000000 was required to correct the recognition of the revenues previously described. The effect of the accounting correction to General Fund 5334000000 reduced the previously reported fund deficit at July 1, 2016.
<b>Recommendation</b>	Management should implement a process, whereby similar transactions are recorded in the appropriate period in accordance with the modified accrual basis of accounting.
<b>Views of Responsible Officials</b>	Management at the Mississippi Department of Rehabilitation Services concurs with the finding but does not concur that it should be a Material Weakness. See additional comments in the Corrective Action Plan on page 59 of this audit report and the response by the Office of the State Auditor on page 60.

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**DEPARTMENT OF REVENUE**

**MATERIAL WEAKNESS**

<b>2017-011</b>	<u>Controls Should Be Strengthened over Adjustments to Taxpayer Accounts.</u>
<b>Repeat Finding</b>	Yes, 2015-016 and 2016-005
<b>Criteria</b>	Good internal controls require a supervisory approval of significant and unusual adjustments made to taxpayer trial balances. The approval should be performed in a timely manner and adequately documented to identify the date of the approval.
<b>Condition</b>	The Mississippi Automated Revenue System (MARS) has security function levels that allow the capacity to perform certain types of activity within the system. Of the 600 users with access to MARS, 489 users with security function level 2702, or 82 percent, have the capability to change, transfer and reverse returns in the MARS system without another user interacting with the transaction. This function relates to manually clearing computer edit exceptions during the submission of tax returns in order to initially post the returns in the system, which is a fundamental job responsibility of many DOR employees who work return exceptions from work list queues tailored specifically for the employee. However, the function also allows return changes to be entered after the initial posting of a return, which results in a new system version of a return being created and posted to taxpayer account trial balances, without requiring any approval from another MARS user. The agency created a computer change request during fiscal year 2015 in response to this similar prior year finding in order for electronic MARS notifications to be sent to supervisors/managers when return change transactions greater than \$5,000 are made after the original return posting (i.e., amendments). However, per review of the computer change request and discussion with agency personnel, this change was not implemented during fiscal year 2017.
<b>Cause</b>	Unknown
<b>Effect</b>	Failure to require a supervisory review and approval of significant and unusual adjustments to taxpayer account balances could result in errors or fraud occurring and not being timely detected, which could result in misstatements to the agency's financial statements.
<b>Recommendation</b>	We recommend the Mississippi Department of Revenue strengthen controls over adjustments to taxpayer accounts by ensuring significant and unusual adjustments in the Mississippi Automated Revenue System are approved by appropriate management personnel. The approval should be documented for internal monitoring and audit purposes.
<b>Views of Responsible Officials</b>	Management at the Mississippi Department of Revenue concurs with the finding. See additional comments in the Corrective Action Plan on page 61 of this audit report.

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**SIGNIFICANT DEFICIENCIES**

<b>2017-012</b>	<u>Controls Should Be Strengthened over the Reconciliation of Alcohol Beverage Control Taxes.</u>
<b>Repeat Finding</b>	Yes, 2016-007
<b>Criteria</b>	<i>The Mississippi Code Annotated (1972)</i> dictates distribution of state tax collections. Good internal controls dictates an automated system should be reconciled to ensure files created by the system agree with agency records and the state general ledger system.
<b>Condition</b>	<p>Alcohol Beverage Control (ABC) taxes were converted into the Mississippi Automated Revenue System (MARS) in October of 2015 during fiscal year 2016. MARS replaced the former method of diverting tax collections to a computer automated process. Through observations and discussions with management, it appears that MARS has been tested by the Department of Revenue (DOR) and the MARS developer to ensure the system is properly programmed to automate tax diversions based on specific tax laws as included in the Miss. Code Ann. (1972).</p> <p>Since the implementation of ABC taxes into MARS, DOR has not performed a documented routine reconciliation between diversions files created by MARS to DOR's transfer records and balances recorded in the Mississippi Accountability System for Government Information and Collaboration (MAGIC).</p> <p>Based on testwork performed over the Fund 3389500000 GAAP Packet, the following adjustments were made by auditor:</p> <ul style="list-style-type: none"> <li>• 'Sales' account was debited for \$5,298,891 and 'Liquor Tax' was credited by the same amount to correct the reversing credit entry to Sales during fiscal year 2017. 'Sales' instead of 'Liquor Tax' was erroneously debited during an accrual entry for fiscal year 2016. The entry reversed in fiscal year 2017 and resulted in an over-statement of Sales revenue.</li> <li>• 'Sales' was credited for \$1,405,695; 'Liquor Tax' was credited for \$544,116; 'Accrued Taxes Payable' was credited for \$136,402; 'Unearned Revenue' was debited for \$2,086,213. These entries were made to recognize MARS revenue in MAGIC for transactions that occurred on June 28, 2017.</li> </ul>
<b>Cause</b>	The agency does not currently have a reconciliation process between agency records, MARS, and MAGIC balances.
<b>Effect</b>	Failure to reconcile files created by the Mississippi Automated Revenue System to agency records and the Mississippi Accountability System for Government Information and Collaboration could result in misstatements to the State's financial statements. Failure to properly reconcile revenue in fiscal year 2017 resulted in misstatements that were corrected by audit via adjusting entries.
<b>Recommendation</b>	We recommend the Mississippi Department of Revenue strengthen controls over the diversion of Alcohol Beverage Control tax collections. Reconciliations should be

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routinely performed over diversion files created by the Mississippi Automated Revenue System and agency's transfer records for taxes and balances recorded in the Mississippi Accountability System for Government Information and Collaboration.

**Views of Responsible**

**Officials**

Management at the Mississippi Department of Revenue concurs with the finding. See additional comments in the Corrective Action Plan on page 61 of this audit report.

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**2017-013**

Controls Over Accrued Compensated Absence Should Be Strengthened.

**Repeat Finding**

No

**Criteria**

Good internal controls require that employee leave recorded in the Statewide Personnel and Human Resource System (SPAHRs) be reviewed by agency personnel to ensure that leave slips are in agreement with leave that is entered in SPAHRs. In addition, good internal control requires that the agency should periodically ensure that the agency's records of employee leave balances are also in agreement with DFA's Accrued Compensated Absence Report.

**Condition**

During our review of accrued compensated absences, we noted five instances in which the total hours taken per the employee leave slips did not match the hours taken on the SPAHRs browse leave report. Our testwork also revealed that the agency does not reconcile their internal employee leave balance records to DFA's employee leave balance.

**Cause**

Unknown

**Effect**

Failure to timely update employee leave balances and conduct a reconciliation to DFA's Accrued Compensated Absence Report could result in a misstatement of the accrued compensated absences liability balance for GAAP financial reporting and could yield an incorrect available leave balances for employees.

**Recommendation**

We recommend that the Mississippi Department of Revenue strengthen internal controls related to their personal leave policies and procedures. This should include establishing a process to ensure leave is timely reported in SPAHRs to allow for accurate available leave balances. The agency should also establish procedures for reconciling their internal employee leave records to DFA's Accrued Compensated Absence Report to ensure that the accrued compensated leave liability balance for GAAP financial reporting purposes is properly stated.

**Views of Responsible**

**Officials**

Management at the Mississippi Department of Revenue concurs with the finding. See additional comments in the Corrective Action Plan on page 62 of this audit report

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**DEPARTMENT OF TRANSPORTATION**

**MATERIAL WEAKNESSES**

<b>2017-018</b>	<u>Controls Should be Strengthened Over the Financial Close Process to Ensure GAAP Packet and Capital Assets are Reported Timely and Accurately</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	<p>Section 27-104-4, Miss. Code Ann. (1972) requires each state agency to prepare annual financial statements at such times as determined by the State Fiscal Officer. The State Fiscal Officer is required to combine the financial statements into a comprehensive annual financial report (CAFR) and provide it to the State Auditor for postauditing. The law further requires the CAFR be published within six months after the June 30 close of the fiscal year. In addition, the Government Finance Officers Association (GFOA) requires CAFRs to be submitted within six months of the government's fiscal year end.</p> <p>Additionally, Generally Accepted Accounting Principles (GAAP) requires the notes to the financial statements to be free from material misstatement, whether due to fraud or error.</p>
<b>Condition</b>	<p>During our review of financial reporting at the Mississippi Department of Transportation (MDOT), we noted agency personnel did not prepare their GAAP packet for Capital Assets in a timely manner. The deadline for turning in GAAP packets established by the Department of Finance and Administration – Office of Financial Reporting (DFA-OFR) was September 06, 2017. MDOT was granted an extension to submit the completed packet by DFA-OFR until September 22, 2017. However, the GAAP packet for Capital Assets was not submitted until September 26, 2017.</p> <p>Additionally, during our review of the Capital Asset GAAP Packet we identified the following error in the notes to the financial statements that required correction:</p> <ul style="list-style-type: none"> <li>• The Note 8 Infrastructure Construction in Progress Project Authorization amount was overstated by \$453,272,685. The overstatement is due to the Fiscal Year 2017 Closed Projects not being properly removed.</li> </ul>
<b>Cause</b>	MDOT did not submit their Capital Assets GAAP Packet in a timely manner. Additionally, MDOT did not adequately review their Capital Assets GAAP Packet.
<b>Effect</b>	The failure of agency personnel to prepare their GAAP packets in a timely manner contributed to the CAFR not being published in accordance with state law and hindered the efficiency of the audit of the State of Mississippi's financial statements. In addition, these delays could result in the state not being awarded a Certificate of Achievement for Excellence in Financial Reporting by GFOA. Receiving GFOA's certificate increases the likelihood the credit agencies or other stakeholders may consider the state's financial statements in a positive manner. The timeliness of the

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CAFR being published impacts its relevance to the various users of the CAFR.

In addition, the Single Audit Act requires the State to issue the Single Audit Report within nine months of fiscal year end, and no extensions are granted. The independent auditor's report on internal control over financial reporting and the schedule of expenditures of federal awards (SEFA) are both required to be included in the Single Audit Report and both an integral part of the financial audit of the State. The failure to timely complete the CAFR could also hinder the timely submission of the Single Audit Report which could result in federal discretionary drawdowns being suspended.

Failure to accurately disclose current year CIP Project Authorization amounts could result in a material misstatement in Mississippi's Comprehensive Annual Financial Report (CAFR).

**Recommendation** We recommend the Mississippi Department of Transportation strengthen internal controls to ensure their capital assets are reported timely, accurately, and in accordance with federal and state law.

**Views of Responsible Officials** Management at the Mississippi Department of Transportation concurs with the finding. See additional comments in the Corrective Action Plan on page 63 of this audit report.

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**DEPARTMENT OF WILDLIFE, FISHERIES, & PARKS**

**SIGNIFICANT DEFICIENCY**

<b>2017-008</b>	<u>Controls Should Be Strengthened over the Recording of Capital Assets.</u>
<b>Repeating Finding</b>	No
<b>Criteria</b>	Good internal controls require that expenses be properly classified and purchases of assets be properly recorded. In addition, Section 23.10.20 of the Mississippi Agency Accounting Principles (MAAP) Manual states that all land should be reported in accordance with Generally Accepted Accounting Principles (GAAP).
<b>Condition</b>	During our testing of Mississippi Department of Wildlife, Fisheries, and Parks (MDWFP) capital outlay account we selected twenty-five capital outlay expenditure transactions and noted ten instances in which land was purchased in fiscal year 2017 and was not properly recorded as a capital asset in the Mississippi Accountability System for Government Information and Collaboration (MAGIC).
<b>Cause</b>	Agency was unaware of the procedures for adding land purchases as an asset since the implementation of MAGIC.
<b>Effect</b>	The failure to properly record capital assets could result in expenses being overstated and assets being understated in the financial statements.
<b>Recommendation</b>	We recommend the Mississippi Department of Wildlife, Fisheries, and Parks strengthen controls over the recording of capital assets. Procedures should be reviewed and communicated to accounting personnel to ensure all assets are properly recorded in MAGIC and appropriately set to depreciate, as necessary.
<b>Views of Responsible Officials</b>	Management at the Mississippi Department of Wildlife, Fisheries, and Parks concurs with the finding. See additional comments in the Corrective Action Plan on page 65 of this audit report.

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**SIGNIFICANT DEFICIENCY  
IMMATERICAL NONCOMPLIANCE**

<b>2017-009</b>	<u>Agency Should Strengthen Internal Controls over Cash Receipts.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	Section 7-9-21 of the Mississippi Code Ann. (1972) requires agencies to deposit funds with the State Treasury by the end of the next business day following the date the funds are collected.



**STATE OF MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PART 2 – Financial Statement Findings (continued)**

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<b>Condition</b>	During our testing of five weeks of License, Fees, and Permits revenue collected by the Mississippi Department of Wildlife, Fisheries and Parks for fiscal year 2017, we noted five instances in which the Mississippi's Accountability System for Government Information and Collaboration (MAGIC) entry and transfer to the state treasury was not made in a timely manner after the receipt of revenue. The range of time from the date the revenue was collected until the agency personnel entered the receipt into MAGIC and transferred the money to the State Treasury was approximately one to three weeks, with one instance being approximately three months late.
<b>Cause</b>	Unknown
<b>Effect</b>	The untimely transfer of funds may result in the loss of investment earnings and increase the risk of theft and/or misplacement of funds while held at the agency.
<b>Recommendation</b>	We recommend the Department of Wildlife, Fisheries, and Parks strengthen controls to ensure compliance with State law and to make sure transfers to the State Treasury and the entry of the revenue into MAGIC are performed timely.
<b>Views of Responsible Officials</b>	Management at the Mississippi Department of Wildlife, Fisheries, and Parks concurs with the finding. See additional comments in the Corrective Action Plan on page 66 of this audit report.

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STATE OF MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
PART 2 – Financial Statement Findings (continued)

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**DIVISION OF MEDICAID**

**SIGNIFICANT DEFICIENCY  
IMMATERIAL NONCOMPLIANCE**

**2017-010**                      Controls Should Be Strengthened to Ensure Compliance with Laws and Regulations Regarding Timely Treasury Deposits.

**Repeating Finding**        No

**Criteria**                      Good internal controls dictate cash receipts be deposited into the Treasury account promptly to reduce the likelihood of loss or theft. In addition, Section 7-9-21, Miss. Code Ann. (1972), requires agencies to deposit funds with the State Treasury by the end of the next business day following the date the funds are collected.

**Condition**                      During our review of sixteen cash receipts for hospital assessments at the Mississippi Division of Medicaid, we noted nine instances in which funds were not deposited in a timely manner.

**Cause**                              Unknown

**Effect**                              The untimely deposit and transfer of funds may result in the loss of investment earnings and increase the risk of theft and/or misplacement of funds while held at the agency.

**Recommendation**              We recommend the Mississippi Division of Medicaid ensure that all that cash receipts deposited into Treasury are made timely and in compliance with state law.

**Views of Responsible Officials**              Management at the Mississippi Department of Wildlife, Fisheries, and Parks concurs with the finding. See additional comments in the Corrective Action Plan on page 67 of this audit report.

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**STATE OF MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
PART 2 – Financial Statement Findings (continued)**

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**MISSISSIPPI DEVELOPMENT AUTHORITY**

**MATERIAL WEAKNESSES**

**2017-029**                      Controls Over the Reporting of Tax Abated Revenue Should be Strengthened in Accordance with *Governmental Accounting Standards Board Statement Number 77* and Generally Accepted Accounting Principles.

**Repeat Finding**            No

**Criteria**                      *The Committee of Sponsoring Organizations of the Treadway Commission (COSO) dictates that in order for organizations to have effective internal control, effective risk assessment must be in place. A component of effective risk assessment includes the application of entity level financial reporting that is specific, measurable, attainable, relevant and timely. This application includes obtaining information in order for financial statements to be presented in accordance with generally accepted accounting principles (GAAP).*

Governmental Accounting Standards Board (GASB) issued *Standard Number 77: Tax Abatement Disclosures* in August 2005 with implementation for all financial statements with periods beginning after December 15, 2015. The State of Mississippi's 2017 CAFR's period began on July 1, 2016; thereby making the implementation of GASB 77 effective for the fiscal year under audit.

GASB 77 requires that governments entering into tax abatement agreements disclose the following information about the agreements (as summarized):

- Brief descriptive information;
- Gross dollar amount of taxes abated unless legally prohibited; and
- Commitments made by governments other than to abate taxes.

**Condition**                      The Mississippi Development Authority (MDA) has executed Memorandum's of Understanding (MOU's) with various companies for specific tax abatements in order to secure economic growth for the State of Mississippi. These MOU's detail the specific tax abatements that the companies receive and the conditions under which they are granted. In approximately nine of these MOU's, MDA has agreed to provide two types of sales tax exemptions:

1. Sales Tax Exemptions on Construction costs during the period of Construction titled "The Sales and Use Tax Exemption to Establish and Operate the Project Program;" and
2. Sales Tax Exemptions on purchases made in Mississippi for the perpetual operation of an eligible project titled "The Sales and Use Tax Exemption for Machinery, Tooling, Leases, Repair Parts and Services Program."

**STATE OF MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PART 2 – Financial Statement Findings (continued)**

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Due to the nature of these abatements, MDA cannot provide actual gross amounts of the taxes abated. However, there is not a legal prohibition to disclose the amounts of the abatements; therefore, the amounts should be disclosed and, if material in nature, audited in order to abide by Governmental Accounting Standards and generally accepted accounting principles.

It should be noted that GASB 77 was not effective when the original MOU's were authorized by the Legislature of the State of Mississippi nor when MDA entered into the agreements.

**Cause** MDA does not currently have a mechanism to track the amount of tax revenue abated for Sales Tax Exemption Abatements.

**Effect** Failure to provide actual gross amounts of abatements or a reasonable estimate can result in financial statements that are not in accordance with GAAP.

**Recommendation** We recommend the Mississippi Development Authority, in conjunction with the Department of Finance and Administration, Department of Revenue, and Mississippi Legislature work in partnership to develop a mechanism to track the amount of sales tax exemptions.

**Views of Responsible Officials** Management at the Mississippi Department of Wildlife, Fisheries, and Parks concurs with the finding. See additional comments in the Corrective Action Plan on page 69 of this audit report.

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STATE OF MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
PART 2 – Financial Statement Findings (continued)

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**OFFICE OF THE STATE TREASURER**

**SIGNIFICANT DEFICIENCY  
IMMATERIAL NONCOMPLIANCE**

**2017-019**                      Controls Should Be Strengthened over Cancelled Warrants Payable to Ensure Compliance with State Law.

**Repeat Finding**            No

**Criteria**                      Section 7-7-42, Miss. Code Ann. (1972) states any warrant issued by the state against any fund in the State Treasury which has not been presented to the Office of the State Treasurer (OST) for payment within one year after the last day of the month in which it was originally issued, shall be null and void, the obligation thereafter shall be unenforceable. After which, the Department of Finance and Administration shall transfer the funds reflected by the cancellation of the warrant to the Abandoned Property Fund at OST where the funds shall remain for five years. After five years, if the funds are unclaimed, the OST shall transfer the funds back to the original source of funds.

**Condition**                      Based on testwork over cancelled warrants payable at OST, we noted OST maintained cancelled warrants in the Abandoned Property Fund for periods longer than five years after the warrants were originally expired and transferred into the Abandoned Property Fund.

During the lapse period of state fiscal year 2017 in July 2017, the agency returned \$4,325,401 to the Department of Revenue for unclaimed income tax refunds; however, cancelled warrants payable at fiscal year-end 2017 was not adjusted with the Fund 3317800000 GAAP Packet by OST. Auditor proposed an adjustment, approved by OST management, to reclassify this liability as Due To Other Funds. The warrants were maintained in the Unclaimed Property Fund for longer than five years prior to June 30, 2017; therefore, these amounts should have been returned prior to fiscal year end.

**Cause**                              OST personnel stated that due to the implementation of a new statewide accounting system in fiscal year 2015, the return process for five-year cancelled warrants was delayed until July of 2017.

**Effect**                              The delay in returning funds to original agencies, after unclaimed in the Abandoned Property Fund for five years, results in an overstatement of cancelled warrants liability in the financial statements, as well as noncompliance with state law. In addition, the original agencies could use the funds to defray against costs incurred in current budget periods.

**Recommendation**            We recommend the Office of the State Treasurer strengthen controls over cancelled warrants payable in the Abandoned Property Fund to ensure compliance with state law. After remaining unclaimed in the Abandoned Property Fund for five years,

**STATE OF MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PART 2 – Financial Statement Findings (continued)**

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funds should be returned to the original agency sources in a timely manner to ensure efficient use of state resources.

**Views of Responsible**

**Officials** Management at the Mississippi Office of the State Treasurer concurs with the finding. See additional comments in the Corrective Action Plan on page 71 of this audit report.

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**SIGNIFICANT DEFICIENCY**

**2017-020** Controls Should Be Strengthened over Arbitrage Calculations

**Repeat Finding** Yes; OTH 16-01

**Criteria** Per Internal Revenue Service (IRS) guidance on the instructions for form 8038-T (arbitrage rebates), issuers must pay arbitrage rebates in installments for computation dates that occur at least once every five years. Rebate payments are due within 60 days after each computation date. The final rebate payment for an issue is due within 60 days after the issue is discharged. Also, good internal controls require supervisory review of accounting information submitted to a third party.

**Condition** During testwork performed over arbitrage calculations at the Office of the State Treasurer (OST), we noted OST did not prepare calculations for six of the nine bond issues within the timeframe specified by the Internal Revenue Service (IRS). The agency did send information to a third party in order to prepare arbitrage calculations for the bond issues; however, six calculations were received late ranging from 12 to 94 days. It should be noted that the calculations revealed there were no arbitrage payments due to the IRS. In addition, we noted no evidence of supervisory review of arbitrage cash flow schedules sent by OST to the consulting firm used as the basis for the arbitrage calculations.

**Cause** Agency personnel did not request arbitrage calculations from the third party in a timely manner. Also, accounting reports used as a basis for arbitrage liability calculations were sent by OST to the third party without supervisory review.

**Effect** Failure to ensure correct arbitrage calculations are prepared and rebates are paid within the timeframe specified by the Internal Revenue Service (IRS) could result in penalties and/or loss of tax exempt status for the bond issue. Failure to review accounting information sent to the consultant could result in an incorrect calculation of arbitrage liability.

**Recommendation** We recommend the Office of the State Treasurer strengthen controls to ensure all bonds are monitored for the timing of arbitrage calculations and rebate submissions, and that those calculations and rebate submissions occur timely, in accordance Internal Revenue Service regulations. In addition, we recommend the agency ensure that accounting information submitted to the third party is reviewed and approved by supervisory personnel.

**STATE OF MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PART 2 – Financial Statement Findings (continued)**

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**Views of Responsible**

**Officials**

Management at the Mississippi Office of the State Treasurer concurs with the finding. See additional comments in the Corrective Action Plan on page 72 of this audit report.

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**Schedule of Findings and Questioned Costs:**  
**Part 3**  
**Management Response**



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## MISSISSIPPI DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.  
*State Superintendent of Education*

January 5, 2018

The Honorable Stacey E. Pickering  
State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

Dear Mr. Pickering:

The Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the financial audit findings for the fiscal year ending June 30, 2017.

### AUDIT FINDINGS:

The Office of Accounting internal controls and procedures over review and reconciling MDE's general ledger account did not detect materially misstated account balances.

Response: The MDE acknowledges the need to strengthen controls over review of the agency's general ledger accounts. An interim grant schedule will be prepared to ensure that the account balances per grant are reviewed prior to the end of the fiscal year. In addition, the grants will be reconciled to ensure all expenditures and revenue are properly recorded.

#### A. Specific steps to be taken to correct the situation.

A collaborative effort among the Offices of Accounting and Grants Management will be exercised to ensure the balances are reconciled and materially correct at year end 2018.

#### B. Name of the contact person responsible for corrective action.

Elisha Campbell – Director of Accounting, Budget and Grants Management

#### C. Anticipated completion date for corrective action.

June 30, 2018

Procedures over accounting for grants should be strengthened in order to accurately present grant activity and the related grants receivable, due from federal government and unearned federal revenue account balances.

Response: The MDE records all grants on an individual basis as instructed by Department of Finance and Administration (DFA). MDE implemented procedures in July 2017 for the reconciliation of expenditures to the draws made weekly and monthly.

A. Specific steps to be taken to correct the situation.

The MDE will continue to report new and future grant activity as required by each grant. A thorough review and reconciliation process is being developed to update all grant activity in MAGIC to accurately reflect the individual grant's activity. The newly developed Grants Management team will review grant activity and will work closely with the Office of Accounting to make any necessary adjustments to ensure that the revenue and expenditures relating to all grants are reported properly. The Office of Accounting will prepare an interim grant schedule to research any issues prior to the end of the fiscal year. The Office will also contact DFA – Office of Reporting for assistance in correcting the current grant schedule.

B. Name of the contact person responsible for corrective action.  
Elisha Campbell – Director of Accounting, Budget and Grants Management

C. Anticipated completion date for corrective action.  
September 30, 2018

Procedures over documentation of employee's leave and reconciliation of the department's leave balance to the Statewide Payroll and Human Resource System (SPAHRs) needs to be strengthen.

Response: The MDE does have procedures for documenting employee's leave and for reconciling leave balances. Employees are required to prepare leave forms for approval for all leave taken. Supervisors are required to approve or disapprove all leave requests and reconcile the leave balance reports monthly. MDE will ensure that procedures are followed and proper documentation is maintained.

A. Specific steps to be taken to correct the situation.

Procedures will be revised and strengthened to indicate the monthly process of reporting leave. The Office of Accounting will conduct training for Leave Keepers to review the policies and procedures relating to Leave Reporting. The importance of maintaining adequate and proper documentation to be readily

available will be stressed. A memo will also be sent to the Directors detailing their responsibility in the Leave Reporting process.

- B. Name of the contact persons responsible for corrective action.  
Elisha Campbell – Director of Accounting, Budget and Grants Management  
Cassandra Moore – Director of Human Resource
- C. Anticipated completion date for corrective action.  
June 30, 2018

Procedures over recording vendor's disbursements in the correct period needs to be strengthened.

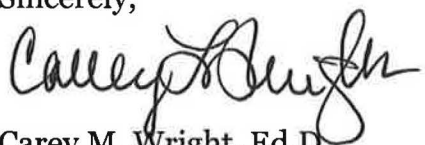
Response: The MDE records disbursements in the period in which the goods are received or services are rendered.

- A. Specific steps to be taken to correct the situation.

The Office of Accounting will ensure that disbursements are recorded in the correct period. The accounting department has been restructured to ensure that more supervisory oversight of staff daily work will be performed to ensure that the disbursements are consistently recorded properly. Supervisory and subordinate staff will be instructed to review in detail the invoices or reports used to process payments and work closely with program offices to ensure funds are available in the proper period for payment to ensure that the disbursements are properly recorded.

- B. Name of the contact person responsible for corrective action.  
Elisha Campbell – Director of Accounting, Budget and Grants Management
- C. Anticipated completion date for corrective action.  
August 31, 2018

Sincerely,



Carey M. Wright, Ed.D  
State Superintendent of Education

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**STATE OF MISSISSIPPI**  
PHIL BRYANT  
GOVERNOR  
**MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY**  
GARY C. RIKARD, EXECUTIVE DIRECTOR

**FINANCIAL AUDIT FINDINGS**

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

February 28, 2018

Dear Mr. Pickering,

Following is our formal response and plan of corrective action for the audit finding from the Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements submitted by Carr, Riggs & Ingram, LLC.

**AUDIT FINDINGS:**

**Controls Over the Recording of Accounts Payable Should be Strengthened**

Response: MDEQ acknowledges the fact that some fiscal year 2017 invoices were paid after the cutoff period and were, therefore, not included in the GAAP entries posted by DFA. Many of these invoices require additional processing time for review or are received very late from the outside vendors.

**Corrective Action Plan:**

- A. MDEQ will contact our vendors and conduct staff training on compliance with state payment requirements. For fiscal year-end 2018, we will utilize our in-house invoice tracking system to separately accrue those invoices that require additional time for review.
- B. Accounting Director
- C. June 30, 2018
- D. Not applicable.

Thank you for your recommendation. Should you have any questions or need additional information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary C. Rikard", with a large, sweeping flourish at the end.

Gary C. Rikard  
Executive Director





**STATE OF MISSISSIPPI**  
GOVERNOR PHIL BRYANT

**DEPARTMENT OF FINANCE AND ADMINISTRATION**

LAURA D. JACKSON  
EXECUTIVE DIRECTOR

February 23, 2018

**FINANCIAL AUDIT FINDINGS**

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

Dear Mr. Pickering:

In reference to your letter dated February 14, 2018, we submit the following responses and corrective action plans to the financial audit findings for the Department of Finance and Administration (DFA) for the fiscal year ended June 30, 2017.

**AUDIT FINDINGS:**

**MATERIAL WEAKNESSESS**

<b>Finding Number</b>	<b>Finding Description</b>
<b>2017-001</b>	<u>The Department of Finance and Administration Should Strengthen the Process for Compiling the Comprehensive Annual Financial Statements and the Schedule of Expenditures of Federal Awards</u>
<b>Response</b>	We concur with the finding.  Much progress was made in the preparation of the CAFR for the year ended June 30, 2017. The Office of Financial Reporting (OFR) was able to complete compilation of the CAFR two months earlier than the prior year.
<b>Corrective Action Plan</b>	(a) Before year end, state agency GAAP coordinators will be encouraged to meet with staff from OFR to review their financial statements and discuss the process for preparing the GAAP packets for their agency. OFR will also be reviewing interim financial statements and coordinating with agencies to

get any known adjustments posted prior to June 30. In addition, OFR is examining options for more efficient collection of information from the agencies, which will reduce the time required by agencies and OFR for submission and review. Finally, OFR will meet with the Office of the State Auditor to discuss ways to have audit adjustments and finalized audits sooner.

(b) The contact person responsible for this corrective action is Cindy Ogletree.

(c) The anticipated implementation for this corrective action plan is June 2018.

(d) N/A

**2017-002**

Implement Written Policies and Procedures Related to Accounting and Reporting Matters

**Response**

We concur with the finding.

We have updated the following sections in the MAAPP manual: Section 01 Introduction, Section 07 Funds – Establishment and Deactivation and Application Form for New Fund, Section 11 Expenditures – Waivers, Section 12 Journal Entries, and Section 13 Travel. These updated sections are available to users through the DFA website. We are continuing the update process.

**Corrective Action Plan**

(a) DFA is continuing the process of reviewing and updating the MAAPP manual.

(b) The contact person responsible for this corrective action is Lisa Dunn.

(c) We anticipate the revised MAAPP manual being completed to users by December 31, 2018.

(d) N/A

**2017-005**

Strengthen the Process for Recording Interagency Transfers, Payables and Receivables

**Response:**

We concur with the finding.

Agencies have been instructed to review outstanding payables and receivables for interagency activity and to be mindful of coding transactions as transfers.

## Corrective Action Plan

(a) As part of the review of interim financial statements, OFR will contact agencies to resolve any interagency discrepancies that are identified. Outstanding payable and receivable balances between agencies will be reviewed and aged items investigated. The relevant DFA offices will review the business process in an effort to identify improvement opportunities that can help resolve the number of unmatched interagency transactions.

(b) The contact person responsible for this corrective action is Cindy Ogletree.

(c) The anticipated implementation for this corrective action plan is June 2018.

(d) N/A

2017-006

### Require Chief Fiscal Officers of State Agencies to Hold Minimum Accounting Qualifications and Attend Mandatory Training

#### Response:

We acknowledge this finding.

The Department of Finance and Administration (DFA) is the primary agency responsible for state government financial and administrative operations, and we fully accept and embrace the magnitude of that responsibility. However, while DFA is the executive branch control agency over governmental accounting and financial reporting, and in particular, the completion of the comprehensive annual financial report, we rely heavily on the cooperation and input of every other state agency to successfully accomplish that task.

We acknowledge that Section 7-7-3 of Miss. Code Ann. (1972) requires DFA to conduct training seminars on a regular basis to ensure that agencies have access to persons proficient in the correct use of the state accounting system. Before implementation of the new statewide system and since that time, we have provided class training, one-on-one personalized training and detailed assistance via the call center to agency personnel to help them understand the processes required for daily workflow. We have training material, work instructions and job aids available on the internet that are easily accessible. In addition to providing training on the state accounting system, we also provide training on GAAP reporting for financial statement preparation. While we have clearly stated that these

training sessions are necessary, we continue to have agencies that do not attend.

The finding specifically calls into question the lack of qualifications and skill requirements of agency accounting personnel, and specifically mentions the lack of qualified personnel serving as Chief Fiscal Officers. While we have the responsibility to provide systems to facilitate the financial reporting and operations of the state and to provide training to employees that use these systems, we do not have the oversight of the hiring or selection of agency employees. Hiring of qualified employees is the responsibility of each state agency head.

#### **Corrective Action Plan**

(a) The audit finding recommendation is for DFA to implement mandatory training sessions for accounting personnel and chief fiscal officers.

DFA will continue to provide training opportunities for accounting personnel and chief fiscal officers, and will pursue and provide additional training as funding allows. DFA will also consider requiring attendance, however enforcement of that will be difficult.

(b) The contact person responsible for this corrective action is Laura Jackson.

(c) The corrective action will be implemented during FY 2018.

(d) N/A

**2017-027**

#### **Response**

#### Strengthen Controls Over Segregation of Duties Within MAGIC

We acknowledge this finding.

Section 7-7-3(6) (d), Miss. Code Ann. states that each agency is responsible for continuous internal audit. DFA prescribes rules and regulations that clearly state that each state agency head and chief financial officer are responsible for the design, implementation, and maintenance of the internal control program within the agency. Therefore, each agency is responsible for the proper segregation of duties for their agency.

We accept that we have a responsibility in the internal control framework and must provide the tools to assist agencies in the internal control process. MAGIC security roles allow for the

segregation of duties and the internal control assessment tool assists agencies in reviewing employee's duties and roles within the agency. DFA will continue our current efforts in state agency education of good internal control and work with agencies to document compensating controls.

A quarterly security report is sent to all agencies from DFA and is required to be returned. DFA retains the security documentation received from agencies.

Customer Relationship Management (CRM) includes security roles that allow for the segregation of duties. The Grantor Analyst role allows access to the applications, agreements and change request forms. The Grantor Accountant role allows access to the grantor claim forms. There is a Grantor Manager role that includes access to applications, agreements, change requests, and claim forms.

#### **Corrective Action Plan**

(a) A policy change will be instituted to strengthen the consequences of failure to respond to the quarterly review. Internal control training will be provided for the agency personnel.

The CRM roles will be reviewed and changes will be made to further segregate the roles and responsibilities.

(b) Diane Langham is the contact person for this corrective action.

(c) The change will be completed by June 30, 2018.

(d) N/A

**2017-028**

Strengthen Controls Over the Security Audit Log of Mississippi's Accountability System for Government Information and Collaboration (MAGIC)

#### **Response**

We acknowledge the finding.

The log was enabled in April of 2016 for all options and functions available but was disabled in the spring of 2017 due to space limitations and resources needed for the MAGIC upgrade. We have reviewed the options and functions critical for monitoring and will enable those functions.

**Corrective Action Plan**

(a) DFA will enable the following functions for the log.

Audit Class	Event Class	Message Text
Dialog Logon	Critical	Logon Failed
Dialog Logon	Severe	Logon Failed
RFC/CPIC Logon	Critical	RFC/CPIC Logon Failed
System Events	Critical	Audit Configuration Changed
FC Function Call	Critical	Failed RFC Call & C

(b) Diane Langham is the contact person for this corrective action.

(c) The log will be enabled by April 1, 2018.

(d) N/A

**SIGNIFICANT DEFICIENCIES**

2017-003

Strengthen Controls Over the Vendor Master File and Issuance of Payments to One Time Vendors

**Response**

We concur with the finding.

DFA has limited use of the one-time vendor to those GL codes that do not require a 1099, so there should be no tax reporting consequence. Control over agency use of the one-time vendor code with the GL codes that don't require a 1099 is a manual control that relies on agency compliance. For those payments over \$1000, DFA requires the agency to attach agency assurance to the document that they have not paid the vendor before. However, the majority of the payments are under \$1000, so DFA is not required to approve them. DFA post-audits the one-time vendor in MAGIC on a monthly basis, and if a vendor has been used more than once by an agency, we contact the agency to request that they set up a vendor in MAGIC.

**Corrective Action Plan**

(a) DFA will review our processes to see what other controls can be implemented, up to and including removing the one-time vendor code.

(b) Lisa Dunn is the contact person for this corrective action.

(c) We anticipate completing our review by June 30, 2018.

(d) N/A

**2017-004**

Strengthen Controls Over Policies and Procedures Related to Journal Entry Approval

**Response**

We concur with the finding.

The MAAPP manual has been updated with information regarding the four journal entry type documents in Section 12. DFA is also implementing an edit that restricts the use of non-budgeted revenue and expenditure codes to the ZK document which routes to DFA for approval.

**Corrective Action Plan**

(a) DFA has updated the MAAPP manual Section 12 with information about the four Journal Entry type documents, and is implementing an edit that forces the use of non-budgeted revenue and expenditure transfer codes to the ZK document which routes to DFA for approval.

(b) Lisa Dunn is the contact person for this corrective action.

(c) Section 12 of the MAAPP manual is already available for users, and we anticipate the edit to go live in the next few weeks.

(d) N/A

**2017-007**

Provide Accurate and Timely Reports Regarding the Cash Reconciliations in the Accounting System

**Response:**

We concur with the finding.

A current 2017 reconciliation of the Daily Average Cash Balance (DACB) report has been completed and identifies the differences between MAGIC cash balances and amounts reported on the DACB.

Timeliness of the DACB report is impacted by nightly and daily processing. The report cannot be generated until all relevant MAGIC processes have completed. Processes run to extract data from MAGIC Monday – Friday. The DACB report, for the respective days, is generated Wednesday – Sunday. The current process ensures the completeness of the report.

**Corrective Action Plan**

(a) In September of 2017, the Office of Financial Affairs (OFA), Mississippi Management and Reporting Systems (MMRS), and The Office of the Treasurer met and discussed the required adjustments needed. OFA and MMRS have identified steps to begin making necessary corrections.

(b) The contact person responsible for this corrective action is Marcus Moore.

(c) This anticipated implementation is no later than June 2018.

(d) N/A

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Laura D. Jackson". The signature is fluid and cursive, with the first name "Laura" and last name "Jackson" being more prominent than the middle initial "D".

Laura D. Jackson

Executive Director

Department of Finance and Administration





MISSISSIPPI STATE DEPARTMENT OF HEALTH

FINANCIAL AUDIT FINDINGS

February 15, 2018

Honorable Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P. O. Box 956  
Jackson, MS 39205-0956

Dear Mr. Pickering:

We have reviewed the audit finding below in reference to the Mississippi State Department of Health 2016 fiscal year audit. Listed below is our individual response and plan for corrective action:

Audit Finding:

2017-025                      The Mississippi State Department of Health (MSDH)'s procedures to ensure all significant revenue related to services provided through the clinics received after the lapse period are properly estimated and accrued into the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) need to be established. MSDH does not have an appropriate process to review, analyze and record an allowance for doubtful accounts related to services provided in the clinics.

Response:                      The agency concurs with this finding.

Corrective Action:              MSDH is currently working to procure software for the clinics that will streamline the process of tracking outstanding patient balances for the clinics to facilitate analyzing accounts receivable.

Name of contact person responsible for corrective action: Consultant and Clinical Technology Integration Staff.

Anticipated completion date of corrective action: June 30, 2018 we will be fully operational and reports should be available to more accurately determine accounts receivable balances.

Should you have any questions regarding our response or corrective action plan, please feel free to contact Sharon Dowdy, 601-576-7359.

Sincerely,

Mary Currier, M.D., M.P.H.  
State Health Officer

570 East Woodrow Wilson • Post Office Box 1700 • Jackson, MS 39215-1700  
601-576-8090 • 1-866-HLTHY4U • [www.HealthyMS.com](http://www.HealthyMS.com)

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**STATE OF MISSISSIPPI**  
**Phil Bryant, Governor**  
**DEPARTMENT OF HUMAN SERVICES**  
**John Davis**  
**Executive Director**

**FINANCIAL AUDIT FINDINGS**

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

February 14, 2018

Dear Mr. Pickering:

Enclosed for your review is the agency's official response and corrective action plan to the financial audit finding in the "Financial Audit Management Report" as outlined in the Mississippi Department of Human Services financial audit performed for the Fiscal Year 2017.

**FINANCIAL AUDIT FINDINGS:**

2017-021      Controls over SPAHRS Security Access and Accrued Compensated Absences Should be Strengthened.

Response:      The Mississippi Department of Human Services ("MDHS") is in agreement that controls should be strengthened concerning Statewide Payroll and Human Resources System ("SPAHRS") security access and ensuring that employees leave balances coincide with the Department of Finance and Administration's ("DFA") Accrued Compensated Absences Report. Upon termination or voluntary separation from the agency, an employee's access to SPAHRS should be immediately deactivated to mitigate the potential of fraud to occur. Likewise, precise accrued compensated absence leave reporting is imperative to ensure employees have accurate leave balances, as it is critical to alleviate the potential of a misrepresentation in any financial reporting concerning such. To address this issue along with other beneficial reasons, MDHS is currently implementing an automated time tracking system for the agency as a whole.

**Corrective**

Action Plan:      The Division of Human Resources at MDHS currently has an employee checklist to complete when an employee separates from the agency. Thus, the Division of

Human Resources will implement "a removal from SPAHRS" block to the current checklist to ensure said employee's access to SPAHRS has been terminated. The Human Resources Division will also create and implement a procedure to reconcile employment status with the SPAHRS security access report. This will be completed on a monthly basis. By doing such, this should ensure that unauthorized access to SPAHRS from an employee no longer associated with MDHS is terminated in a timely manner.

As stated previously, MDHS is in the process of implementing an automated employee driven time tracking system, which is referred to as NOVAtime. With said implementation any time card corrections and/or modifications will automatically update when NOVAtime transmits to SPAHRS for each pay period. This should ensure that accrued leave balances are updated and moreover should report accurate information for financial reporting. This also allows for the employees to have accurate knowledge concerning leave balances.

David Barton, the Director of the Division of Internal Audit at MDHS, will be the point of contact concerning the corrective action plan. The anticipated completion date for the corrective actions is June 30, 2018.

We appreciate the courtesy and professionalism demonstrated by Jeremy Ashley and his field staff throughout the audit. Should you have any questions regarding our responses or corrective action plan, please do not hesitate to contact David Barton, MDHS Director of Internal Audit, at 601-359-4551.

Respectfully,



John Davis  
Executive Director

JD:DB

CC: Janet Mann  
Jacob Black  
Chip Butler  
David Barton



**State of Mississippi**  
**DEPARTMENT OF REHABILITATION SERVICES**

Financial Audit Findings

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

February 14, 2018

Dear Mr. Pickering:

The following response is provided to the Mississippi Office of the State Auditor as a result of the audit of the financial statements for the Mississippi Department of Rehabilitation Services for Fiscal Year 2017:

AUDIT FINDING:

**Finding:** 2017-022 - Controls Over the Reporting of Federal Revenue Should be Strengthened

**Response:** While the agency concurs that revenues totaling \$1,354,773 were not recorded on the Schedule of Expenditures of Federal Awards ("SEFA"), we do not agree this finding is material to the financial statements. This amount represents 2 percent of total expenditures in this fund, which is less than the 5 percent materiality threshold utilized by the Office of the State Auditor. In addition, since implementation of the new accounting system, MAGIC, in 2014, system reporting has proven burdensome.

**Corrective Action Plan:** Internal controls will be strengthened to ensure revenue is properly recorded on future SEFA.

Thank you for your recommendation. Should you have any questions or need additional information, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Howard", is written over the word "Sincerely,".

Chris Howard  
Executive Director



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

**Auditor's note to the Response from Management**

**REHABILITATION SERVICES**

**MATERIAL WEAKNESS**

**Finding Number**

**Finding Heading**

2017-022

**Controls Over the Reporting of Federal Revenue Should Be Strengthened.**

Rebuttal to Agency Response:

The Office of the State Auditor determines materiality on an audit by audit basis. Materiality is not determined as a certain percentage of revenue and is based on various risk factors.

Revenue was incorrectly reported and required an audit adjustment to ensure the financials were free from material misstatement.



## FINANCIAL AUDIT FINDINGS

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
501 North West Street  
Suite 801  
Jackson, MS 39201

February 28, 2018

Dear Mr. Pickering:

With respect to your audit of the financial statements of the Department of Revenue for the Fiscal Year ended June 30, 2017, we offer the following comments:

### MATERIAL WEAKNESS

#### **2017-011      Controls Should Be Strengthened over Adjustments to Taxpayer Accounts**

**Response:** We agree. The electronic notification was in development and scheduled to be in production prior to the end of FY 2017. A problem was found during testing in May 2017 that required further development, with significant changes. This change delayed the move into production until October 2017.

#### **Corrective Action:**

The computer change request to fix the post-production issues for electronic notifications for abatements/adjustments is now in production.

**Name:** Jennifer Wentworth, Associate Commissioner – Agency Support

### SIGNIFICANT DEFICIENCIES

#### **2017-012      Controls Should Be Strengthened over the Reconciliation of Alcohol Beverage Control Taxes**

**Response:** We agree. MDOR recognizes the potential impact on financial statements when good internal controls are not in place. Since all ABC funds are receipted into Fund 39895 and then flow to the other ABC funds we felt it was necessary to work first on developing a reconciliation for Fund 39895. We originally developed a monthly reconciliation for Fund 39895. However, due to the complexities of the various price elements in MARS, a daily reconciliation process was determined to be a more efficient way to identify differences; however, reconciling daily is a very time consuming process that has

required hours of assistance from the MARS team that was limited due to other priority status projects. A monthly reconciliation process for Fund 33895 has been developed and differences noted are being discussed with the MARS team and ABC staff as needed.

**Corrective Action:**

We will continue to work to get the reconciliations current.

**Name:** Jennifer Wentworth, Associate Commissioner – Agency Support

**2017-013      Controls Over Accrued Compensated Absence Should Be Strengthened**

**Response:** We agree somewhat. MDOR does not agree that we do not reconcile our internal employee leave balance records to DFA's employee leave balances. A monthly leave balance accrual report is sent to leave keepers monthly to balance against the internal employee leave balance records. Any adjustments are sent to MDOR's Human Resources department (HR) to make the necessary adjustments in SPAHRS. MDOR does agree that controls should be strengthened over the agreement of agency's records of employee leave balances to DFA's Accrued Compensated Absence Report.

**Corrective Action:**

- MDOR HR will implement more timely deadlines for submission of leave taken by employees. To reduce adjustments needed to leave report, the weekly leave report submission will change from Monday to Tuesday at noon.
- HR will conduct internal audits of leave slips against leave reports/SPAHRS entry for all departments. HR will select a random sample of leave slips to review quarterly from the departments.
- Upon training, HR will reconcile to DFA's Accrued Compensated Absence Report for GAAP financial reporting purposes.

**Name:** Lamar Wilson, Human Resources Director

Our staff is available to furnish any additional information requested or further details concerning this audit of our financial statements and the implementation of suggested changes.

Respectfully,



Herb Frierson,  
Commissioner of Revenue



Melinda L. McGrath  
Executive Director

P. O. Box 1850  
Jackson, MS 39215-1850  
Telephone (601) 359-7001  
FAX (601) 359-7110  
GoMDOT.com



James A. Williams, III  
Deputy Executive Director/Chief Engineer  
Lisa M. Hancock  
Deputy Executive Director/Administration  
Willie Huff  
Director, Office of Enforcement  
Charles R. Carr  
Director, Office of Intermodal Planning

## **FINANCIAL AUDIT FINDING**

February 27, 2018

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

Dear Mr. Pickering:

We received the Financial Audit Management Report and the following details our response to the Audit Finding for FY 2017:

<b><u>Finding Number</u></b>	<b><u>Finding and Recommendation</u></b>
------------------------------	--

	<b>MATERIAL WEAKNESS</b>
--	--------------------------

2017-018	
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	<u>Controls Should Be Strengthened Over the Financial Close Process to Ensure GAAP Packet and Capital Assets are Reported Timely and Accurately</u>
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	<i>Finding:</i>
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	During our review of financial reporting at the Mississippi Department of Transportation (MDOT), we noted agency personnel did not prepare their GAAP packet for Capital Assets in a timely manner. The deadline for turning in GAAP packets established by the Department of Finance and Administration – Office of Financial Reporting (DFA-OFR) was September 06, 2017. MDOT was granted an extension to submit the completed packet by DFA-OFR until September 22, 2017. However, the GAAP packet for Capital Assets was not submitted until September 26, 2017.
--	--

Additionally, during our review of the Capital Asset GAAP Packet we identified the following error in the notes to the financial statements that required corrections:

- The Note 8 Infrastructure Construction in Progress Project Authorization amount was overstated by \$453,272,685. The

overstatement is due to the Fiscal Year 2017 Closed Projects not being properly removed.

**Response:**

MDOT does concur with this finding that the GAAP packet was 2 business days late in the submission to DFA-OFR and Note 8 Project Authorization amount was overstated.

**Corrective Action Plan:**

- A. While the Mississippi Department of Transportation had many controls in place, we will exercise due care in the future to certify a thorough and comprehensive review of all data is performed. We will review our timeline and processes to ensure a timely submission.
- B. The Financial Management Director, Alison Brown and her staff are responsible for this corrective action plan.
- C. This corrective action plan will be implemented during FY 2018 GAAP packet.

Should you have any questions or need additional information, contact our Financial Management Division at (601) 359-7400.

Sincerely,



Melinda L. McGrath, PE  
Executive Director

MLM:trb

cc: Lisa Hancock, Deputy Executive Director/Administration  
Alison Brown, Financial Management Director



**MISSISSIPPI  
DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS**

Sam Polles, Ph.D.  
Executive Director

**FINANCIAL AUDIT FINDINGS**

February 28, 2018

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P. O. Box 956  
Jackson, MS 39205-0956

Dear Mr. Pickering:

The Mississippi Department of Wildlife, Fisheries, and Parks (MDWFP) respectfully submits its response to the financial audit conducted by the Office of the State Auditor (OSA) for fiscal year 2017. I would like to thank the State Auditor's staff that was assigned to our agency with regard to their courtesy and professionalism exhibited during the audit.

The following pages represent our response to each finding and recommendation in OSA's final audit report, stating whether the agency concurs or does not concur with the individual findings, as well as providing a plan for corrective action.

**AUDIT FINDINGS:**

**2017-008**                      Controls Should Be Strengthened over the Recording of Capital Assets

Response:                      We concur with this finding. The Mississippi Accountability System for Government Information and Collaboration (MAGIC) provides very limited instructions on the posting of capital assets that do not originate using a purchase order. The land acquisitions identified in this year's audit were purchased without a MAGIC purchase order. The agency has been advised that these transactions should be recorded manually and has coordinated with DFA-OFR to identify and correctly record each capital asset transaction to prevent any inaccuracies in current or future financial reporting.

Corrective Action Plan:

- A. Immediate steps have been taken to develop written policies that detail the specific methods of recording capital assets that do not originate in MAGIC.
- B. Contact Person: Brian Ferguson, Director of Support Services  
Telephone: (601) 432-2149; E-mail: brianf@mdwfp.state.ms.us
- C. Completion Date: June 30, 2018

**2017-009**

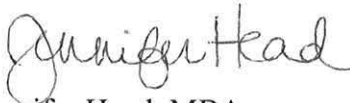
Agency Should Strengthen Internal Controls over Cash Receipts

Response: We concur with this finding. Although this is an immaterial deficiency, we have identified the need to strengthen controls over the reconciliation, audit, and recording functions of cash receipts.

Corrective Action Plan:

- A. The agency will implement written policy that requires a weekly review of all revenue to assure cash receipts are recorded within seven business days.
- B. Contact Person: Brian Ferguson, Director of Support Services  
Telephone: (601) 432-2149; E-mail: brianf@mdwfp.state.ms.us
- C. Completion Date: June 30, 2018

Respectfully,



Jennifer Head, MBA  
Office Director



MISSISSIPPI DIVISION OF  
**MEDICAID**

**FINANCIAL AUDIT FINDINGS**

February 16, 2018

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P. O. Box 956  
Jackson, MS 39205-0956

Dear Mr. Pickering:

In accordance with your correspondence dated February 6, 2018, the Mississippi Division of Medicaid (DOM) is providing the following responses for the financial audit findings for the fiscal year ending June 30, 2017.

**AUDIT FINDING:**

2017-010     **Controls Should Be Strengthened to Ensure compliance with Laws and Regulations Regarding Timely Treasury Deposits**



**RESPONSE:**

The Mississippi Division of Medicaid (DOM) concurs with the finding.

**CORRECTIVE ACTION PLAN:**

A. The Mississippi Division of Medicaid (DOM) will strengthen controls to ensure compliance with laws and regulations regarding timely Treasury deposits. DOM receives and deposits approximately 1,500 checks each month. DOM has controls in place to ensure all checks are safeguarded and properly recorded. DOM has identified areas in our internal process that may delay Treasury deposits. As a result, DOM has made personnel changes and increased management oversight of the process to ensure DOM complies with laws and regulations regarding timely Treasury deposits.

B. Gia Allen

C. October 1, 2017 - DOM made personnel changes and increased management oversight of the Treasury deposit process after the untimely Treasury deposits were brought to DOM's attention by the Office of the State Auditor.

Sincerely,



Drew L. Snyder  
Interim Executive Director



**STATE OF MISSISSIPPI**  
PHIL BRYANT, GOVERNOR  
**MISSISSIPPI DEVELOPMENT AUTHORITY**  
GLENN MCCULLOUGH, JR.  
EXECUTIVE DIRECTOR

**FINANCIAL AUDIT FINDINGS**

February 16, 2018

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P. O. Box 956  
Jackson, MS 39205-0956

Dear Mr. Pickering:

The Mississippi Development Authority (MDA) is in receipt of your letter dated February 14, 2018 regarding Tax Abatements and GASB 77 requirements. We are providing MDA's response below.

**AUDIT FINDINGS:**

**2017-029**

Controls over the reporting of tax abated revenue should be strengthened in accordance with Governmental Accounting Standards Board statement number 77 and Generally Accepted Accounting Principles

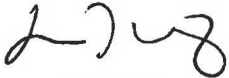
**RESPONSE:**

MDA is aware of the GASB 77 reporting requirements and agrees with the auditor with regards to the inability of the agency to have foreseen the new reporting requirements. MDA has worked with the Department of Finance and Administration, The Department of Revenue and the State Auditor's Office in an effort to better understand what its role would be in the collecting and reporting of information. A final determination and agreement of what MDA programs were applicable under GASB 77 was reached in December of 2017. Since that date MDA has worked with DFA to compile the statutory authorizations for the various tax abatements and also an estimate to be used in the CAFR.

CORRECTIVE ACTION PLAN:

- a. MDA will continue to work with the Department of Finance and Administration, The Department of Revenue and the State Auditor's Office to determine the most effective way to compile and/or deal with the required information. MDA also plans to reach out to the companies that are the recipients of the tax abatements to determine what information may be available from the company to aid in the preparation of the estimate.
- b. Sara Watson 601-359-9344
- c. MDA is working to determine the best way to gather and/or deal with the required information and is working to have a plan in place prior to the FY 18 reporting period ending.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. McCarthy'.

James T. McCarthy  
Chief Financial Officer





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

**FINANCIAL AUDIT FINDINGS**

February 20, 2018

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

Dear Auditor Pickering:

In accordance with your correspondence dated February 6, 2018, the Office of the State Treasurer (OST) is providing the following responses for the financial audit findings for the fiscal year ended June 30, 2017.

AUDIT FINDINGS:

**2017-019      Controls Should Be Strengthened over Cancelled Warrants Payable to Ensure Compliance with State Law**

Response:      We acknowledge this finding to the extent that the OST returned all cancelled warrants as soon as all required information was available to OST, which may have exceeded the five-year statutory period.

The process for returning cancelled warrants to the original source of funds was never initiated and established through the assistance of DFA-MMRS personnel as agreed upon during the implementation of MAGIC. OST took the initiative to coordinate with other State agency accounting personnel to obtain mandatory MAGIC information necessary in the transaction of returning the cancelled warrants. This information was not available until July 2017, and OST timely returned the funds to the agencies at that time.

Corrective Action Plan:

- A.      OST will establish a process to obtain and maintain updated information from State agency accounting personnel for the mandatory MAGIC information to allow for the returning of cancelled warrants to the original source of funds in a timely manner to ensure efficient use of State resources.

- B. Yolanda Campbell - Director of Accounting, Bonds and Financial Management  
Samuel Cole – Director of Administrative Services
- C. July 1, 2018
- D. N/A

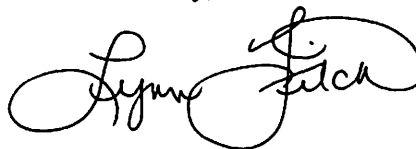
**2017-020      Controls Should Be Strengthened over Arbitrage Calculations**

Response:      We concur with this finding; however, we would like to emphasize that *no arbitrage payments or interest penalties were due on any late filings.*

Corrective Action Plan:

- A.      OST will strengthen controls to ensure all bonds are monitored for the timing of arbitrage calculations and rebate submissions, and that those calculations and rebate submissions occur timely, in accordance with the Internal Revenue Service regulations. OST has already started developing an internal centralized database as well as a database with the State's arbitrage consultant to ensure better efficiency, maintenance, and reporting for all bond issues requiring arbitrage rebate calculations. If the accounting information provided to the arbitrage consultant is prepared by someone other than the Bond Director, the information will be reviewed.
- B.      Yolanda Campbell - Director of Accounting, Bonds and Financial Management
- C.      July 1, 2018
- D.      N/A

Sincerely,

A handwritten signature in black ink, appearing to read "Lynn Fitch", with a large, stylized flourish at the end.

Lynn Fitch  
Treasurer  
State of Mississippi





**Office of the State Auditor**  
**Post Office Box 956**  
**Jackson, Mississippi 39205-0956**  
**[www.osa.state.ms.us](http://www.osa.state.ms.us)**