



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

July 1, 2020

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

Ms. Donna Creekmore  
701 Northside Drive  
Newton, MS 39345

Dear Ms. Creekmore:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Central Mississippi Residential Center for the Fiscal Year 2018. In these findings, the Auditor's Office recommends the Central Mississippi Residential Center:

1. Strengthen Internal Controls over Bank Accounts;
2. Strengthen controls over travel to Ensure Compliance with State Laws and the MS Department of Finance Administration's Travel Manual;
3. Should Strengthen Internal Controls over Procurement Card Purchases to Ensure Compliance with State Law and MS Department of Finance Administration's policies;
4. Ensure Compliance with State Law over Personal Leave; and
5. Ensure Compliance with State Law over Purchasing Laws.

Please review the recommendations and submit a plan to implement them by July 24, 2020. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Central Mississippi Residential Center to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree".

STEPHANIE PALMERTREE, CPA, CGMA  
Director, Financial and Compliance Audit  
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Central Mississippi Residential Center for the year ended June 30, 2018. The Office of the State Auditor's staff members participating in this engagement included Richard Aultman, Michael Walker and Lee Pittman.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with *Section 7-7-211, Mississippi Code Annotated (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

*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 *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. 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 identified certain deficiencies in internal control that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings and **SIGNIFICANT DEFICIENCIES**.

In addition, while performing our review, we noted certain instances of noncompliance with State laws and other control deficiencies that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW and OTHER CONTROLS DEFICIENCIES**.

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## **SIGNIFICANT DEFICIENCY**

**Finding 1:** Agency Should Strengthen Internal Controls Over Bank Accounts.

**Internal Control Deficiency:** 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 reconciliations between bank statements and agency records should be timely performed to ensure all monies are accounted for.

**Finding Detail:** During our review of the Central Mississippi Residential Center's bank accounts, the auditor noted that the agency only performed monthly bank statement reconciliations for the petty cash account. Central Mississippi Residential Center did not perform any monthly reconciliations of the other accounts during fiscal year 2018. Failure to reconcile bank accounts timely could result in errors or fraudulent transactions that are undetected and may result in loss of funds.

**Recommendation:** We recommend the agency perform monthly reconciliations between bank statements and agency records.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW AND OTHER CONTROL DEFICIENCIES

**Finding 2:** Agency Should Strengthen Internal Controls to Ensure Compliance with State Laws over Travel and the MS Department of Finance Administrations' Travel Manual.

**Applicable Laws and Control Deficiencies:** *Section 27-65-105(a), Miss Code Annotated (1972)* states that governmental agencies are exempt from state sales tax.

*Department of Finance and Administration Policies and Procedures Manual Section 10.112.04(9)*, no travel expense is to be charged to the procurement card.

**Finding Detail:** During our review of travel expenditures at the Central Mississippi Residential Center during Fiscal Year 2018, the auditor tested thirty (30) travel vouchers and noted the following:

- One (1) instances in which we were unable to verify that no tax was charged on lodging due to a lack of documentation.
- Twenty-four (24) instances where meals were improperly charged to the procurement card.

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

**Recommendation:** We recommend the Central Mississippi Residential Center strengthen controls over travel to ensure compliance with state laws and DFA's travel manual.

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**Finding 3:** Agency Should Strengthen Internal Controls over Procurement Card Purchases to Ensure Compliance with State Law and DFA policies.

**Applicable Laws and Control Deficiencies:** *Section 31-7-9, Mississippi Code Annotated (1972)* states that the Office of Purchasing, Travel, and Fleet Management at the Department of Finance and Administration (DFA) may adopt purchasing regulations governing the use of procurement cards.

*Section I A* of the *Mississippi Procurement Card Guidelines* issued by DFA requires agencies to designate a program coordinator and adopt expenditure limits and purchase restrictions in accordance with the information detailed in the guidelines. *Section I B (2)* requires the agency to maintain a file with the statements and all applicable receipts. *Section II A* requires the cardholder to obtain an itemized receipt/invoice for each purchase. *Section I C* requires agencies keep the procurement card in a secure location and requires users to sign the procurement card out and in after each use. Cardholders are to not carry the procurement card on personal vacations, weekend and/or holidays, and the cardholder should keep the procurement card separate from personal credit cards.

*Section 27-65-105(a), Mississippi Code Annotated (1972)* states that governmental agencies are exempt from state sale tax.

**Finding Detail:** During our review of P-Card expenditures at the Central Mississippi Residential Center during Fiscal Year 2018, the auditor tested thirty (30) P-Card vouchers and noted two (2) instances where sales tax was paid by the agency on P-Card purchases.

Failure to comply with the requirements of the state procurement manual and guidelines governing the Small Purchase Procurement Card program could allow for improper payments or purchases made by unauthorized personnel. Additionally, paying sales tax on purchases results in noncompliance with state

laws.

**Recommendation:** We recommend the Central Mississippi Residential Center strengthen controls over P-Card purchases to ensure compliance with state laws and DFA's manual.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 4:** Agency Should Ensure Compliance with State Law over Personal Leave.

**Applicable State Law:** *Section 25-3-97, Miss Code Annotated (1972)* states that all organizations shall keep accurate records of the leave accumulated and used by the officers and employees thereof.

**Finding Detail:** During our audit, we noted nineteen (19) instances in which the ending accrued personal leave balance per the agencies records did not agree with the SPAHRS Accrued Personal Leave Balance. Failure to maintain and request documentation for personal leave could result in improper use of personal leave hours.

**Recommendation:** We recommend the Central Mississippi Residential Center ensure personal leave is used in compliance with state law. We further recommend employee leave forms approved by supervisory personnel be maintained.

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**Finding 5:** Agency Should Ensure Compliance with State Law over Purchasing Laws.

**Applicable State Laws:** *Section 31-7-303, Mississippi Code Annotated (1972)* requires payment requests to be filed with the Department of Finance and Administration (DFA) within 30 days of the receipt of the invoice and receipt, inspection and approval of the goods or services. Within the Mississippi Accountability System for Government Information and Collaboration (MAGIC), payment requests are filed with DFA when an agency releases the payment in MAGIC, which routes the payment request to DFA for approval via electronic workflow.

*Section 31-7-305, Mississippi Code Annotated (1972)* requires a record to be kept of the date of receipt of the invoice and dates of receipt, inspection and approval of goods or services.

**Finding Detail:** During our review of 30 contractual service expenditures at the Central Mississippi Residential Center during fiscal year 2018, we noted two (2) instances in which contractual services payments were not remitted within 30 days of receipt of the invoice.

Failure to submit payment requests within 30 days of the receipt of the invoice and receipt, inspection and approval of the goods and services could result in additional expenses being incurred by the agency through finance charges.

**Recommendation:** We recommend the Central Mississippi Residential Center ensure compliance with state purchasing laws. Requests for payments should be submitted to the Department of Finance and Administration (DFA) timely in accordance with state law. Personnel receiving goods or services should sign and date all invoices or other documentation as verification of proper receipt of services prior to the disbursement of funds.

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Central Mississippi Residential Center

July 1, 2020

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**Other Recommendations by Office of the State Auditor**

No other recommendations was noted during the Limited Internal Control and Compliance Review Findings for the Mississippi State Personnel Board for the Fiscal Year 2018.

**End of Report**



Central  
Mississippi  
Residential  
Center  
Is...  
**Building Bridges**

A Facility of the Department of Mental Health

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## COMPLIANCE REVIEW FINDINGS

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

July 24, 2020

Dear Mr. White:

We appreciate the opportunity to work with Richard Aultman, Michael Walker and Lee Pittman recently as they conducted the limited internal control and compliance review of Central Mississippi Residential Center (CMRC) for the year ended June 30, 2018. They were very professional and conducted a fair review. While no one enjoys facing their mistakes, we appreciate the fact that this engagement made us aware of the deficiencies that were noted and will allow us to make necessary changes to our processes to correct the deficiencies and prevent future situations that could potentially arise.

### AUDIT FINDINGS:

#### **SIGNIFICANT DEFICIENCY**

##### **Finding 1: Agency Should Strengthen Internal Controls Over Bank Accounts**

##### **Response:**

Due to changes in Business Services staff, staff failed to perform monthly reconciliations between the bank statements and the agency records on several agency bank accounts. The agency bank accounts are maintained in QuickBooks, and although the accounts were not reconciled, bank statements were reviewed each month and the balances and transactions were compared to the balances and transactions shown in QuickBooks to verify there were no questionable transactions. We concur with the individual finding and recommendation.

#### Corrective Action Plan:

- A. We have corrected this deficiency and have put the following process in place:
1. Monthly statements for all agency bank accounts will be received by the Client Accounts Clerk, assembled with documents supporting each transaction and submitted to the Business Office Manager.
  2. The Business Office Manager will reconcile each bank account to the agency records within 10 business days of receipt of the bank statement.
  3. Upon completion, the Business Office Manager will submit the bank reconciliation and supporting documentation to the Program Director for review. The Program Director will complete the review within 5 business days of receipt and file the reconciliation for future reference.
  4. As instructed by the MS Department of Finance and Administration (DFA), CMRC recently requested non-budgeted fund numbers be established for all of the agency bank accounts, with the exception of the Petty Cash account as directed by DFA. These funds are now established and CMRC will begin following DFA guidelines on reporting these accounts in Mississippi Accountability System for Government Information and Collaboration (MAGIC).
- B. Donna Creekmore, Program Director and Kim Lovett, Business Office Manager
- C. This is an ongoing process.
- D. Not Applicable

#### **INSTANCES OF NONCOMPLIANCE WITH STATE LAW AND OTHER CONTROL DEFICIENCIES**

##### **Finding 2: Agency Should Strengthen Internal Controls to Ensure Compliance with State Laws over Travel and the MS Department of Finance Administration's Travel Manual.**

#### Response:

In response to the instance of being unable to verify that no tax was charged on lodging due to a lack of documentation, CMRC's Travel Coordinator notified all hotels at the time of booking that CMRC is a tax-exempt state agency and provides a copy of our Sales Tax Exemption letter. Most hotels e-mail a detailed confirmation of the booking, showing all charges, however, some only give verbal confirmation numbers. Employees are instructed to request a receipt/invoice for lodging at the time of check-out, showing a balance of \$0.00. In the cases of hotels giving verbal confirmation, we rely on the employees' receipt for a detail of the transaction. In the instance referenced, the employee failed to obtain the receipt/invoice showing a balance of \$0.00 at the time of check-out and, although we contacted the hotel requesting the information, they would not provide the information. We concur with the individual finding and recommendation.

In response to the instances where meals were improperly charged to the procurement card, these purchases were related to *I Got You! Healthy Life Choices for Teens* (IGU) presentations made to school districts across the State. During the year ended June 30, 2018, this was a grant-funded mental health awareness program and CMRC was the provider. Members of CMRC's staff, along with presenters from various other agencies and organizations, travel to various locations across the State and present this program to 8<sup>th</sup> graders from many of the State's school districts. These presentations were considered meetings/events and the cost of the lodging, mileage and meals were included in the Proposal for Program Funding that was submitted when requesting the grant for the year ended June 30, 2018. We had received verbal instruction from DFA stating that because this was considered a meeting/event and was not the same as an individual traveling and because all of the expenses were reimbursed through the grant, we should submit a Food Purchase Form with receipts to accompany the invoice. Therefore, a Food Purchase Form was completed and submitted along with the agenda from the presentation, the individuals who were presenting, and the receipt for the meals each time an IGU program was presented to a school district that required lodging and meals. Unfortunately as stated, these were verbal instructions from DFA and we did not obtain anything in writing, and because of staffing changes, we cannot provide the individual's name at DFA who gave us those instructions. CMRC does follow the *Mississippi Procurement Card Guidelines* stated in the finding (*Section I A*, *Section I B* (2), *Section II A*, and *Section I C*) and did not intentionally or willfully violate or be noncompliant with state law or these guidelines. Because this was a peculiar situation which could have given rise to a differing interpretation by the staff member at DFA and based on the fact that we followed the instructions we were given by that staff member at DFA, we do not concur with the individual finding. We do, however, concur with and will follow the recommendation.

#### Corrective Action Plan:

##### A. This issue has been corrected and the following steps have been taken:

1. All CMRC staff and individuals from other agencies and organizations who are responsible for the IGU presentations have been instructed that they must purchase their meals and request reimbursement.
2. CMRC staff will submit a Travel Voucher for reimbursement.
3. The individuals from other agencies and organizations who are presenters will submit the cost of their meals as a line item for reimbursement on their invoice to CMRC for their services.
4. CMRC staff members who are responsible for the IGU presentations have received training on related *Mississippi Procurement Card Guidelines*.
5. CMRC is considering using the State contract travel agencies for employee travel arrangements in an effort to help resolve the issues with tax being charged on hotel reservations.



- B. Donna Creekmore, Program Director and Suzi McDill, CMRC Travel Coordinator
- C. August 8, 2019
- D. Not Applicable

**Finding 3: Agency Should Strengthen Internal Controls over Procurement Card Purchases to Ensure Compliance with State Law and DFA Policies.**

Response:

In response to the instances of sales tax being paid by the agency on P-Card purchases, were both online transactions ordered through the vendors' websites. CMRC staff was unaware that sales tax was being added to the transactions until the purchases were completed. The vendors were contacted in an attempt to obtain a refund of the sales tax charged on each transaction. We concur with the individual finding and recommendation.

Corrective Action Plan:

- A. The issue has been corrected and the following steps have been taken to prevent future similar incidents:
  - 1. CMRC's Sales Tax Exemption letter will be submitted to all vendors, including online vendors, along with a request to establish a tax exempt account for CMRC prior to any purchases.
  - 2. All online orders will be reviewed prior to completing the purchase to ensure no sales tax has been charged to the transaction.
  - 3. If sales tax has been charged to the transaction, CMRC staff will contact the vendor and request instructions on continuing the purchase as a sales tax exempt transaction.
  - 4. Any CMRC staff using the P-Card will be reminded to check the transaction carefully to ensure no sales tax is charged to the purchase.
- B. Donna Creekmore, Program Director and Kim Lovett, Business Office Manager
- C. August 8, 2019
- D. Not Applicable

**Finding 4: Agency Should Ensure Compliance with State Law over Personal Leave.**

Response:

In response to the instances in which the ending accrued personal leave balance per the agency's records did not agree with the State Personnel and Human Resources System (SPAHRs) Accrued Personal Leave Balance, all of these instances were due to one of the following reasons: (1) The employee had requested to use Compensatory Time on his timecard, however did not have enough Compensatory Time accrued to cover the request. Instead, Personal Leave was used for the hours missed. Or, (2) the employee requested to use Personal Leave on his time

card; however, had accrued enough Compensatory Time to cover the amount of time requested. CMRC's Compensatory Time policies address both Exempt and Non-Exempt employees and both state that if enough accrued compensatory time is available, Compensatory Time will be used before Personal Leave. Because of these reasons and our policies, we do not concur with the individual finding. We do, however, concur with the recommendation.

**Corrective Action Plan:**

A. This issue has been corrected and we have implemented the following steps to prevent similar future incidents:

1. On July 16, 2020, CMRC migrated to a new Kronos timekeeping system that is integrated with and consistent across the Department of Mental Health.
2. With this new system, leave balances in Kronos and SPAHRS have been verified as correct and synchronized.
3. Leave balances will now be automatically uploaded from Kronos to SPAHRS on a monthly basis to ensure the balances are accurate in both systems.
4. Supervisors have received training on the new system and instructed to be sure they are indicating Compensatory Time first when an employee request leave, if they have a sufficient amount accrued, and then indicating Personal Leave if necessary.
5. All paper leave requests will be signed by the supervisor and submitted to the Human Resources Department to be scanned for record retention. All electronic leave requests will be submitted in Kronos, approved by the supervisor, and retained in the Kronos system.

B. Paige McKinion, Human Resources Director

C. July 16, 2020

D. Not Applicable

**Finding 5: Agency Should Ensure Compliance with State Law over Purchasing Laws.**

**Response:**

In response to the instances in which contractual services payments were not remitted within 30 days of receipt of the invoice, one of the instances referenced a medical invoice that was not received on the date shown on the invoice. CMRC does not receive invoices from the vendor involved in this instance until a minimum of seven (7) to ten (10) days after the date on their invoice. Prior to paying any invoices for medical services rendered by an outside provider, the invoice is sent to CMRC Nursing Services to verify that the client indicated on the statement did indeed received the services described on the invoice and that they were a CMRC client at the time the service was received. During the timeframe when this instance occurred, CMRC was involved in an administrative merger with East MS State Hospital and it was during the lapse period for the year ended June 30, 2016 and the beginning of the year ended June 30, 2018. CMRC has only one staff member who processes invoices for payment and one staff member

who verified medical invoices prior to payment, so this, along with the other events occurring at that time, played a huge role in the delay in processing the invoice. The other instance referenced an invoice involving cell phones assigned to staff members who had retired or left employment with CMRC and new staff members who had cell phones assigned to them. We were attempting to return to the vendor the cell phones that were assigned to the staff member who were no longer employed by CMRC and trying to obtain a corrected invoice from the vendor that reflected the correct phones that were actually assigned to staff members. After trying multiple times to resolve the issue with the vendor, waiting for a response, but receiving none, we determined it was best to pay the invoice and continue dealing with the vendor on correcting the issue. This, however, caused the invoice to be paid late. We concur with the individual finding and recommendation.

Corrective Action Plan:

- A. We have put the following steps in place to prevent similar future incidents:
  - 1. All invoices will be stamped with the date received and initialed/signed by the individual receiving the invoice.
  - 2. If verification of an invoice is required from another department, a record will be kept of when the invoice is forwarded to that department and tracked to ensure the invoice is returned to Business Services in a timely manner, so that the invoice can be processed in a timely manner in compliance with purchasing laws.
- B. Donna Creekmore, Program Director and Kim Lovett, Business Office Manager
- C. August 8, 2019
- D. Not Applicable

We appreciate the professionalism of your staff and the guidance they provided to us during their review. The information received from their review and the recommendations from your office will allow us to strengthen the weaknesses in our processes and ensure our compliance with state laws and DFA guidelines. If you have any questions or need additional information, please do not hesitate to contact us.

Sincerely,



Donna Creekmore  
Program Director