



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

May 1, 2020

Limited Internal Control and Compliance Review Management Report

Kelly Hardwick, Executive Director
Mississippi State Personnel Board
210 East Capitol Street
Jackson, Mississippi 39201

Dear Mr. Hardwick:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi State Personnel Board for the Fiscal Year 2018. In these findings, the Auditor's Office recommends the Mississippi State Personnel Board (MSPB):

1. Strengthen Controls to Ensure Compliance with State Law Related to Cash Receipts;
2. Ensure Compliance with State Law Related to Employee Leave; and
3. Ensure Compliance with State Law Related to Per Diem Compensation

Please review the recommendations and submit a plan to implement them by May 15, 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 that you find our recommendations enable the Mississippi State Personnel Board to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Personnel Board throughout the audit. 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 (OSA) has completed its Limited Internal Control and Compliance Review of the Mississippi State Personnel Board (MSPB) for the fiscal year ending June 30, 2018. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA; Ashley Jolly, CPA; Lisa Meade, CPA; Clayton Southerland, CPA; and Dylan Thomas.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be weaknesses. In accordance with *Mississippi Code Annotated (1972) §7-7-211*, 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.

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

OTHER CONTROL DEFICIENCIES & INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 1: Agency Should Strengthen Controls to Ensure Compliance with State Law over Cash Receipts.

Applicable State Laws & Internal Control Deficiency: *Section 25-61-7(1) Mississippi Code Annotated (1972)* states, "Any staff time or contractual services included in actual cost shall be at the pay scale of the lowest level employee or contractor competent to respond to the request."

Section 13.10.20, Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual allows "any state agency collecting or receiving less than \$1,000 in any given week to make weekly settlements."

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 receipts to customers should be issued in order to provide an adequate audit trail and ensure compliance with state laws.

Finding Detail: During our review of thirty (30) cash receipt transactions for the Mississippi State Personnel Board during Fiscal Year 2018, the auditor noted the following:

- Fifteen (15) instances in which source documentation was not provided for the deposit.
- Eleven (11) instances in which source documentation provided did not include the detail for the hourly salary rate charged for the public service request. Auditor unable to determine that the lowest rate was charged, as required by *Section 25-61-7(1)*.
- Two (2) instances in which receipts were not deposited into the State Treasury timely. The range of time from receipt at the agency until deposit to State Treasury ranged from 13 to 37 business days.

Without maintaining adequate supporting documentation, there is no clear audit trail to ensure the accuracy of charges of service and cash receipts. Furthermore, failure to make timely transfers to the State Treasury may result in the loss of investment earnings and increases the risk of theft and/or misplacements of funds while held at the agency level.

Recommendation: We recommend that the Mississippi State Personnel Board strengthen controls related to the maintenance of source documentation for all cash receipts and should make timely deposits in order to comply with applicable state laws.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: Agency Should Ensure Compliance with State Law over Employee Leave.

Applicable State Laws: *Section 25-3-95(2)(a), Mississippi Code Annotated (1972)* states, “Major medical leave may be used for the illness or injury of an employee or member of the employee’s immediate family as defined in subsection (3) of this section, only after the employee has used one (1) day of accrued personal or compensatory leave for each absence due to illness, or leave without pay if the employee has no accrued personal or compensatory leave... However, major medical leave may be used, without prior use of personal leave, to cover regularly scheduled visits to a doctor’s office or a hospital for the continuing treatment of a chronic disease, as certified in advance by a physician... For each absence due to illness of thirty-two (32) consecutive working hours (combined personal leave and major medical leave) major medical leave shall be authorized only when certified by their attending physician.”

Section 25-3-95(8)(c), Mississippi Code Annotated (1972) states, “An employee must have exhausted all of his or her earned personal leave and major medical leave before he or she will be eligible to receive any leave donated by another employee.”

Section 25-3-95(8)(d), Mississippi Code Annotated (1972) states, “Before an employee may receive donated leave, he or she must provide his or her appointing authority or supervisor with a physician’s statement that states the beginning date of the catastrophic injury or illness, a description of the injury or illness, and a prognosis for recovery and the anticipated date that the recipient employee will be able to return to work.”

Finding Detail: During our review of employee leave accrued and used at the Mississippi State Personnel Board in fiscal Year 2018, we noted the following:

- One (1) instance in which certification from the employee's physician was not documented for when employee used chronic medical leave.
- Two (2) instances in which certification from the employee's physician was not documented when employee used more than 32 hours of leave for illness.
- Two (2) instances in which all personal leave and major medical leave had not been exhausted prior to receiving donated leave.
- Two (2) instances in which an employee received donated leave without proper documentation of a physician’s statement.

Failure to maintain and request documentation for employee leave could result in improper use of employee leave hours.

Recommendation: We recommend that the Mississippi State Personnel Board strengthen controls to ensure that employee leave is in compliance with state law.

Repeat Finding: No.

Finding 3: Agency Should Ensure Compliance with State Law over Per Diem Compensation.

Applicable State Law: *Section 25-3-69, Mississippi Code Annotated (1972)* states, “Unless otherwise provided by law, all officers and employees of state agencies, boards, commissions, departments and institutions authorized by law to receive per diem compensation for each day or fraction thereof occupied with the discharge of official duties shall be entitled to Forty Dollars (\$40) per diem compensation.”

Finding Detail: During our review of thirty (30) per diem expenditures, we noted the following:

- One (1) instance in which the per diem compensation was in excess of the \$40 daily limit.
- One (1) instance in which a board member received \$40 per diem compensation when the board member was recorded as absent from the board meeting.

Failure to comply with state per diem laws could result in excessive per diem costs being incurred by the agency or incorrect payment for reimbursement of per diem claimed.

Recommendation: We recommend that the Mississippi State Personnel Board ensure compliance with state law over per diem compensation and perform effective reviews of travel vouchers where per diem is claimed.

Repeat Finding: No.

Other Recommendations by Office of the State Auditor

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

End of Report



MISSISSIPPI STATE PERSONNEL BOARD

KELLY HARDWICK
EXECUTIVE DIRECTOR

COMPLIANCE REVIEW FINDINGS

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

May 15, 2020

Dear Mr. White:

Thank you for your recommendations and the opportunity to respond to your letter dated May 1, 2020. The following corrective actions will enable the Mississippi State Personnel Board (MSPB) to carry out its mission more efficiently, strengthen internal controls and ensure compliance with state laws.

AUDIT FINDINGS:

Finding 1: Agency Should Strengthen Controls to Ensure Compliance with State Law over Cash Receipts.

Response: MSPB concurs with the finding.

Applicable State Law & Internal Deficiency # 1: Section 25-61-7(1) *Mississippi Code Annotated (1972)* states, "Any staff time or contractual services included in actual cost shall be at the pay scale of the lowest level employee or contractor competent to respond to the request."

Corrective Action Plan # 1:

- a. The agency has strengthened controls by revising the log of public records requests to include an identifier of the employee(s) or contractor(s) tasked with responding to those requests to ensure the utilization of the appropriate pay scale to compute cost.
- b. If the above corrective actions are not responsive to your recommendation or you have any questions, please contact Tony Moore at 601-359-6712.
- c. This action plan was initiated in July 2019 and has been implemented by the agency.

Applicable State Law & Internal Deficiency # 2: Section 13.10.20, Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual allows “any state agency collecting or receiving less than \$1,000 in any given week to make weekly settlement.”

Corrective Action Plan # 2:

- a. The agency has strengthened controls by developing the efficiency of posting cash receipts into a performance measure, allowing management to monitor the timeliness of settlements through monthly reporting.
- b. If the above corrective actions are not responsive to your recommendation or you have any questions, please contact Tony Moore at 601-359-6712.
- c. This action plan was initiated in July 2019 and has been implemented by the agency.

Applicable State Law & Internal Deficiency # 3: 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 receipts to customers should be issued in order to provide an adequate audit trail and ensure compliance with state laws.

Corrective Action Plan # 3:

- a. The agency has controls in place which effectively comply with the Internal Control – Integrated Framework published by the COSO through acknowledgement letters sent to the customers indicating the date of receipt.
- b. If the above corrective actions are not responsive to your recommendation or you have any questions, please contact Tony Moore at 601-359-6712.
- c. This action plan was initiated in July 2019 and has been implemented by the agency.

Finding 2: Agency Should Ensure Compliance with State Law over Employee Leave.

Response: MSPB concurs with the finding.

Applicable State Law # 1: Section 25-3-95(2)(a), Mississippi Code Annotated (1972) states, “Major medical leave may be used for the illness or injury of an employee or member of the employee’s immediate family as defined in subsection (3) of this section, only after the employee has used one (1) day of accrued personal or compensatory leave for each absence due to illness, or leave without pay if the employee has no accrued personal leave or compensatory leave... However, major medical leave may be used, without prior use of personal leave, to cover regularly scheduled visits to a doctor’s office or a hospital for the continuing treatment of a chronic disease, as certified in advance by a physician... For each absence due to illness of thirty-two (32) consecutive working hours (combined personal leave and major medical leave) major medical leave shall be authorized only when certified by their attending physician.”

Corrective Action Plan # 1:

- a. The agency will strengthen controls by instituting more extensive reviews. In addition, a checklist will be created and used as part of the review process to ensure documentation required by state law is included in the request.
- b. If the above corrective actions are not responsive to your recommendation or you have any questions, please contact Tony Moore at 601-359-6712.
- c. This action plan will be implemented by June 30, 2020.

Applicable State Law # 2: Section 25-3-95(8)(c), Mississippi Code Annotated (1972) states, "An employee must have exhausted all of his or her earned personal leave and medical leave before he or she will be eligible to receive any donated by another employee".

Corrective Action Plan # 2:

- a. The agency will strengthen controls by requiring that additional support is included with any donated leave requests. That support will include a copy of the employee's most recent leave balance report from SPAHRS, indicating zero balances for all applicable leave categories.
- b. If the above corrective actions are not responsive to your recommendation or you have any questions, please contact Tony Moore at 601-359-6712.
- c. This action plan will be implemented by June 30, 2020.

Applicable State Law # 3: Section 25-3-95(8)(d), Mississippi Code Annotated (1972) states, "Before an employee may receive donated leave, he or she must provide his or her appointing authority or supervisor with a physician's statement that states the beginning date of the catastrophic injury or illness, a description of the injury or illness, and a prognosis for recovery and the anticipated date that the recipient employee will be able to return to work."

Corrective Action Plan # 3:

- a. The agency will strengthen controls by creating and using a checklist as part of the approval process to ensure the documentation required by state law, such as physician statements, is included in the request.
- b. If the above corrective actions are not responsive to your recommendation or you have any questions, please contact Tony Moore at 601-359-6712.
- c. This action plan will be implemented by June 30, 2020.

Finding 3: Agency Should Ensure Compliance with State Law over Per Diem Compensation.

Response: MSPB concurs with the finding.

Applicable State Law # 1: Section 25-3-69, Mississippi Code Annotated (1972) states, “Unless otherwise provided by law, all officers and employees of state agencies, boards, commissions, departments and institutions authorized by law to receive per diem compensation for each day or fraction thereof occupied with the discharge of official duties shall be entitled to Forty-Dollars (\$40) per diem compensation.”

Corrective Action Plan # 1:

- a. The agency has strengthened controls by attaching attendance logs to the applicable travel vouchers to confirm participation in each meeting in the discharge of those official duties.
- b. If the above corrective actions are not responsive to your recommendation or you have any questions, please contact Tony Moore at 601-359-6712.
- c. This action plan was initiated in July 2019 and has been implemented by the agency.

If the above corrective actions are not responsive to your recommendation or you have any questions, please contact Tony Moore at 601-359-6712. We commend you and your staff for their courtesy and cooperation throughout the review.

Sincerely,



Kelly Hardwick
State Personnel Director