



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

April 1, 2019

**Financial Audit Management Report**

Dianna Mikula, Executive Director  
Mississippi Department of Mental Health  
239 N. Lamar Street  
Jackson, MS 39201

Dear Ms. Mikula:

Enclosed for your review are the financial audit findings for the Mississippi Department of Mental Health for the Fiscal Year 2018. In these findings, the Auditor's Office recommends the Mississippi Department of Mental Health:

1. Strengthen controls over the segregation of duties and the data entry and approval process of contract worker information in the Statewide Payroll and Human Resource System (SPAHRs); and
2. Strengthen controls over MAGIC's segregation of duties, business role assignments, and quarterly access reviews.

Please review the recommendations and submit a plan to implement them by April 15, 2019. 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.

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 Mississippi Department of Mental Health'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 Mississippi Department of Mental Health'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.

I hope you find our recommendations enable the Mississippi Department of Mental Health to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Mental Health throughout the audit.

Mississippi Department of Mental Health

April 1, 2019

Page 2

If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie Palmertree". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

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

## FINANCIAL AUDIT MANAGEMENT REPORT

The Office of the State Auditor (OSA) conducts the annual audit of the State of Mississippi's *Comprehensive Annual Financial Report* (CAFR), as compiled and prepared by the Department of Finance and Administration for the fiscal year ended June 30, 2018. While OSA has not been engaged to audit your agency's financial accounting records and processes individually, we have been engaged by DFA to audit the State as a whole in accordance with Government Auditing Standards. We conducted this audit in accordance with 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.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the State of Mississippi's CAFR, we considered the Mississippi Department of Mental Health'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 opinion on the significant accounts selected, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Mississippi Department of Mental Health's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, identified in this letter as items 2018-15 and 2018-18, which we consider to be a significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Department of Mental Health are free of material misstatement, we 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## SIGNIFICANT DEFICIENCY

<b><u>Finding Number</u></b>	<b><u>Finding and Recommendation</u></b>
2018-015	<u>Controls Should be Strengthened Over the Segregation of Duties and the Data Entry and Approval Process of Employee Time Records and Contract Worker Information in the Statewide Payroll and Human Resource System (SPAHRs).</u>
<b>Repeat Finding</b>	No.
<b>Criteria</b>	<p><i>The Internal Control – Integrated Framework</i> published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the <i>U.S. Government Accountability Office Standards for Internal Control in the Federal Government</i> (Greenbook) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties and information processing controls, exist and are effective.</p> <p>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. 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 SPAHRs 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.</p> <p>Good internal controls also require effective information processing controls for data entered and processed in SPAHRs to check the accuracy, completeness and authorization of transactions.</p> <p><i>The State of Mississippi's Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual</i> Section 30 – Internal Control states that each state agency implement a system of internal control in accordance with the principles of COSO, including having a proper control environment.</p>
<b>Condition</b>	<p>During testwork performed for fiscal year 2018, including an assessment of the internal controls of the Statewide Payroll and Human Resource System (SPAHRs), we noted the following:</p> <ul style="list-style-type: none"><li>• Three users that had access to both the human resource/recording</li></ul>

- Three users that had access to both the human resource/recording function (PHUSR02C) and the payroll/authorization function (PHUSR03); and
- Five out of six contracts and completed new hire forms for contract workers did not have accurate pay rate information recorded within SPAHRS.

**Cause** There are inadequate controls surrounding SPAHRS' segregation of duties, as well as the data entry and approval process of contract worker information.

**Effect** Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files and unauthorized activity which can result in misstatement of financial position. Inaccurate pay rate information for contract worker in the SPAHRS greatly increases the risk of misappropriation of assets and can result in misstatement of financial position.

**Recommendation** We recommend the Mississippi Department of Mental Health implement the following:

- Processes to review individuals who have been granted access to SPAHRS to ensure that access to the payroll function and the human resource function have been appropriately authorized and to implement compensating controls when proper segregation of duties is not practical; and
- Processes to review the contract worker input data within SPAHRS after initial approval and when set-up is complete.

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**2018-018** Controls Should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process

**Repeating Finding** No

**Criteria** *The Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Greenbook) specify 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 of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. 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.

Additionally, *The Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual* section 30.60.00 dictates that MAGIC security roles should be assigned to an employee based on his/her job duties, and that security roles should be reviewed on a quarterly basis to ensure that duties are segregated.

**Condition**

The Mississippi Department of Mental Health submitted certification to DFA quarterly during state fiscal year 2018 stating that it was in compliance with policies regarding MAGIC security. Upon review of the security roles assigned and the exceptions noted below, the agency did not have proper segregation of duties, did not have business roles assigned in accordance with DFA's MAGIC roles and descriptions, and improperly certified their agency had proper segregation of duties.

During our review of MAGIC security roles, we noted the following exceptions:

- Six instances in which Mississippi Department of Mental Health employees had access to roles specific to outside agencies; and
- Seven instances in which there were role violations related to improper segregation of duties.

**Cause**

The Agency did not properly review and monitor their MAGIC security roles assigned to employees.

**Effect**

Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.

**Recommendation**

We recommend the Mississippi Department of Mental Health strengthen controls over MAGIC security and ensure that roles are properly assigned, duties are segregated, and roles are reviewed in accordance with the MAAPP manual. When proper segregation of duties is not practical, compensating controls, such as increased review, should be implemented to ensure proper internal control activities have been met.

**End of Report**

# DEPARTMENT OF MENTAL HEALTH

## State of Mississippi

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Diana S. Mikula - Executive Director

April 15, 2019

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

### FINANCIAL AUDIT FINDINGS

Dear Mr. White:

In response to the findings issued by your office on April 1, 2019, please review the following information.

#### AUDIT FINDINGS:

***2018-015 Controls Should be Strengthened Over the Segregation of Duties and the Data Entry and Approval Process of Employee Time Records and Contract Worker Information in the Statewide Payroll and Human Resource System (SPAHRs)***

#### Response:

We concur with the findings. Since the audit of processes during fiscal year 2018 the agency has adjusted the duties assigned to staff in both the Bureau of Human Resources and the Bureau of Administration to ensure segregation of duties and the data entry and approval process of employee time records and contract information in SPAHRs. The Director of the Bureau of Human Resources completes a quarterly review of users which consist of utilizing the report in FM View to ensure accurate user access codes, deletions, and additions. The agency implemented a corrective action plan inclusive of the following transactions.

**Corrective Action Plan:****Data Entry and Approval of Time Records:**

- A. Human Resources staff receives all employee time records after they have been reviewed by the authorized timekeeper in each division and approval has been documented by the authorizing manager.
- B. The Human Resources Personnel Officer reviews the time records for signature and approval documents prior to entering them into SPAHRS.
- C. The Human Resources Personnel Officer informs the Payroll Officer that all time has been verified.
- D. The Payroll Officer runs time checking for any error messages.
- E. Error messages received by the Payroll Officer are reported to the Human Resources Director for review and problem solving.

**Data Entry and Approval of Contract Worker Information:**

- A. The Human Resources Director collects all required documentation from contract workers and enters the information into SPAHRS.
- B. The Human Resources Director provides copies of all documents to the Contract Payroll Officer to enter tax and direct deposit information, and verifies the information submitted.
- C. Division Directors authorize the time records and submit them to the Personnel Officer.
- D. The Personnel Officer enters reported time into SPAHRS and informs the Contract Payroll Officer that the time has been verified.
- E. The Contract Payroll Officers runs time for contract worker payments.

***2018-018 Controls Should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process*****Response:**

We concur with this finding. The six instances in which Mississippi Department of Mental Health employees had access to roles specific to outside agencies may be something that needs to be added to the MAGIC Security Report, as it does not seem to be included in information that our agency currently reviews. Irrespective of those six instances, role violations such as the seven noted in your report have been corrected in conjunction with a recent block grant audit performed by your office. While actions have been taken on this matter, the corrective action plan below also includes internal procedural measures.

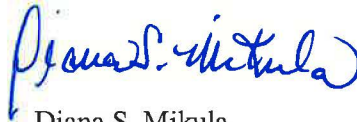


**Corrective Action Plan:**

- A. Review MAGIC security reports for role violations with respect to segregation of duties by April 15, 2019.
- B. Changes roles in MAGIC for any role violations with respect to segregation of duties by April 15, 2019.
- C. By April 26, 2019, the Standard Operating Procedures for the Fiscal Services division shall be modified to require the Fiscal Services Director to review the quarterly MAGIC Security Reports and, if necessary or beneficial, modify security roles to ensure proper segregation of duties, when practical. When it is impractical to modify security roles in MAGIC, compensating controls shall be implemented.

We appreciate the opportunity to respond to these findings and value the time your employees dedicate to this important function in our agency. Please contact me or Kelly Breland, Director of the Bureau of Administration, if you have questions or concerns.

Sincerely,



Diana S. Mikula  
Executive Director



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

May 23, 2019

**Single Audit Management Report**

Diana Mikula, Executive Director  
Mississippi Department of Mental Health  
239 N. Lamar Street  
Jackson, MS 39201

Dear Ms. Mikula:

Enclosed for your review is the single audit finding for the Mississippi Department of Mental Health for fiscal year 2018. In this finding, the Auditor's Office recommends the Mississippi Department of Mental Health strengthen controls to endure compliance with independent peer review requirements.

Please review the recommendation and submit a plan to implement it by May 31, 2019. The enclosed finding contains more information about our recommendation.

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

The purpose of this report is solely to describe the scope of our testing of compliance on each major federal program and of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Department of Mental Health to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Mental Health 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". The signature is written in a cursive, flowing style.

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

Enclosures

## **SINGLE AUDIT FINDINGS**

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi Department of Mental Health for the year ended June 30, 2018. The Office of the State Auditor's staff members participating in this engagement included Michael Torres, CPA, Kortney Gaddy, CPA, Alan Jarrett and Shavonda Lott.

Our procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. 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.

### **Report on Compliance for Each Major Federal Program**

We have audited the Mississippi Department of Mental Health's compliance with the types of compliance requirements described in the *OMB Uniform Guidance Compliance Supplement* that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi Department of Mental Health for the year ended June 30, 2018.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the State of Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles and Audit Requirements* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mississippi Department of Mental Health's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. However, our audit does not provide a legal determination of the Mississippi Department of Mental Health's compliance.

### **Results of Compliance Audit Procedures**

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Uniform Guidance and which are identified in this letter as item 2018-061.

### **Internal Control over Compliance**

Management of the Mississippi Department of Mental Health is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mississippi Department of Mental Health's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with OMB

Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mississippi Department of Mental Health's internal control over compliance.

Our 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, we identified certain deficiencies in internal controls that we consider to be material weaknesses.

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 deficiency identified in this letter as item 2018-061 to be a material weakness.

### **Findings and Recommendations**

#### **SPECIAL TEST AND PROVISIONS – INDEPENDENT PEER REVIEWS**

##### ***Material Weakness***

##### ***Material Noncompliance***

<b>2018-061</b>	<u>Controls Should Be Strengthened to Ensure Compliance with Independent Peer Review Requirements.</u>
<b>CFDA Number</b>	93.959 – Block Grants for Prevention and Treatment of Substance Abuse
<b>Federal Award No.</b>	2B08TI010030-16 2016 2B08TI010030-17 2017
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-through Entity</b>	N/A
<b>Questioned Costs</b>	N/A
<b>Criteria</b>	<i>Code of Federal Regulations</i> (45 CFR section 96.136) states, "The State shall for the fiscal year for which the grant is provided, provide for independent peer review to assess the quality, appropriateness, and efficacy of treatment services provided in the State to individuals under the program involved, and ensure that at least 5 percent of the entities providing services in the State under such program are reviewed."
<b>Condition</b>	During our testwork, we identified that the Mississippi Department of Mental Health is not providing independent peer reviews for any of the entities providing services in the State.
<b>Cause</b>	The Mississippi Department of Mental Health stated they were unaware of the independent peer review requirement until a FY2016 review by the federal

awarding agency. The Mississippi Department of Mental Health stated they have begun to implement a process to comply but it is not yet functional.

**Effect**

The purpose of independent peer review is to review the quality and appropriateness of treatment services. Failure to comply could result in inadequate treatment services to go undetected and could also result in loss of funding.

**Recommendation**

We recommend that the Mississippi Department of Mental Health strengthen controls to ensure compliance with independent peer review requirements.

**Repeat Finding**

No.

**Statistically Valid**

No.

**End of Report**

# DEPARTMENT OF MENTAL HEALTH

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Diana S. Mikula - Executive Director

May 31, 2019

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

## SINGLE AUDIT FINDINGS

Dear Mr. White:

In response to the findings issued by your office on May 23, 2019, please review the following information.

***AUDIT FINDING: 2018-061 Controls Should Be Strengthened to Ensure Compliance with Independent Peer Review Requirements.***

### Response:

We concur with the findings. Since November 2018, the Department of Mental Health's (DMH's) Bureau of Alcohol and Drug Services has developed a plan to create and implement a peer review process. This process will implement an independent peer review to assess at least 5% of the certified providers funded with Substance Abuse Block Grant (SABG) funds annually. Utilizing a standardized assessment tool, the evaluation will assess the effectiveness of the treatment provided and allow for targeted and comprehensive training to enhance service delivery and outcomes.

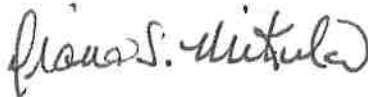
### Corrective Action Plan:

- A. **Select assessment tool to be used in in the independent assessment and evaluation.** The tool selected was the Dual Diagnosis Capability in Mental Health Treatment assessment (DDCMHT).

- B. Contract with an outside vendor to conduct independent reviews and assessment of DMH certified substance use providers.** DMH selected the Mississippi Public Health Institute (PHI) to conduct the independent review of the DMH certified substance use providers.
- C. Assess at least 5% of all DMH Certified Substance Use Providers.** All DMH certified substance use providers will be assessed using the DDCMHT assessment to gather baseline data, which will be complete by the end of state fiscal year 2019.
- D. Reevaluate at least 5% of the DMH Substance Use Providers annually to establish baseline data and subsequent follow up evaluations to show effectiveness of treatment and services provided.** Mississippi Public Health Institute will re-evaluate at least 5% of the DMH Certified Substance Use providers to give a comparative evaluation and will report these evaluation to DMH at least annually by the end of each state fiscal year.
- E. Fully implement the Independent Review process as a continual tool of the SABG Block grant process.** DMH, beginning in fiscal year 2020, will fully implement the independent review process as a permanent tool for SABG evaluation utilizing the Mississippi PHI to not only evaluate, but to offer targeted training and technical assistance.

We appreciate the opportunity to respond to these findings and value the time your employees dedicate to this important function in our agency. Please contact me or Kelly Breland, Director of the Bureau of Administration, if you have questions or concerns.

Sincerely,



Diana S. Mikula  
Executive Director