



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

December 17, 2019

**Financial Audit Management Report**

Carey M. Wright, Ed.D, State Superintendent of Education  
Mississippi Department of Education  
P.O. Box 771  
Jackson, MS 39205

Dear Dr. Wright:

Enclosed for your review is the financial audit finding for the Mississippi Department of Education for the Fiscal Year 2019. In this finding, the Auditor's Office recommends the Mississippi Department of Education:

1. Strengthen controls over MAGIC segregation of duties, business role assignments and quarterly access review.

Please review the recommendation and submit a plan to implement it by December 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 internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Mississippi Department of Education'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 Department of Education'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 Department of Education to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Department of Education throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "Stephanie C. Palmertree".

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

## **FINANCIAL AUDIT MANAGEMENT REPORT**

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Department of Education for the year ended June 30, 2019. These financial statements will be consolidated into the State of Mississippi's *Comprehensive Annual Financial Report*. We conducted our 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. The Office of the State Auditor's staff members participating in this engagement included Thomas Wirt, CPA, Lisa Meade, CPA, Alisa Evans and Clayton Southerland, CPA.

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 selected accounts included on the financial statements, we considered the Department of Education'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 these accounts, 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 Department of Education'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 a certain deficiency in internal control, identified in this letter as items 2019-010, that we consider to be significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Department of Education 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*.

**Finding and Recommendation**

**SIGNIFICANT DEFICIENCY**

**2019-010**                      Controls Should Be Strengthened over MAGIC Segregation of Duties, Business Role Assignments and Quarterly Security Certification Process

**Repeat 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* (Green Book) specify that a satisfactory control environment is only effective when control activities exist, such as proper segregations of duties. 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.

Additionally, the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual section 30.60.00 requires security roles in the Mississippi Accountability System for Government Information and Collaboration (MAGIC) to be assigned to an employee based on his or her job duties, and that security roles be reviewed quarterly by agencies to ensure duties are properly segregated. The Department of Finance and Administration (DFA) issued the *MAGIC Roles and Definitions* policy document to inform agencies of roles that should be separated to reduce conflicts as well as other role requirements.

**Condition**                      The Mississippi Department of Education (MDE) submitted certifications to DFA quarterly during state fiscal year 2019 stating that it was in compliance with MAGIC security policies. Upon review of the security roles assigned, the agency had conflicts to assigned duties, as detailed below.

During our review of MAGIC security roles at MDE during fiscal year 2019, we noted:

- Ten security role conflicts between accounts payable and accounts receivable functions;
- Three roles assigned to MDE personnel that are not allowed for the agency;
- Two roles required to be assigned at the agency but were not; and,
- Lack of effective review of security role information that was certified by the agency.

**Cause**                              The agency did not properly review and monitor 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 Education strengthen controls over MAGIC security access and ensure that roles are properly assigned and duties are segregated.

**End of Report**



## MISSISSIPPI DEPARTMENT OF EDUCATION

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

### **FINANCIAL AUDIT FINDINGS**

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

December 31, 2019

Dear Mr. White:

In accordance with your correspondence dated December 17, 2019, the Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the financial audit finding for the fiscal year ending June 30, 2019.

#### AUDIT FINDING:

**2019-010**     Controls Should Be Strengthened over MAGIC Segregation of Duties, Business Role Assignments and Quarterly Security Certification Process

Response: The agency concurs with this finding.

#### Corrective Action Plan:

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

All instances noted have been reviewed and corrected. The MAGIC Security Contact will meet with the Director of Accounting each quarter to review current role assignments in order to ensure that these violations do not occur again.

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

Tamala Matthews, MAGIC Security Contact

C. Anticipated completion date for correction action.

Immediately

If you have any questions, please contact Mr. John Kraman at 601-359-3487.

Sincerely,

A handwritten signature in dark ink, appearing to read "Carey M. Wright". The signature is fluid and cursive, with the first name "Carey" being more legible than the last name "Wright".

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



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

March 18, 2020

**Single Audit Management Report**

Carey M. Wright, Ed.D.  
State Superintendent of Education  
Mississippi Department of Education  
P.O. Box 771  
Jackson, MS 39205

Dear Dr. Wright:

Enclosed for your review is the single audit finding for the Mississippi Department of Education for Fiscal Year 2019. In this finding, the Auditor's Office recommends the Mississippi Department of Education:

1. Strengthened Controls to Ensure Compliance with On-Site Subrecipient Monitoring Requirements.

Please review the recommendation and submit a plan to implement it by March 25, 2020. 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 Education to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Education. 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 C. Palmertree, CPA, CGMA  
Director, Financial and Compliance Audit Division

Enclosures

## **SINGLE AUDIT FINDING**

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 Education for the year ended June 30, 2019. The Office of the State Auditor's staff members participating in this engagement included Thomas Wirt, CPA, Lisa Meade, CPA, Alisa Evans, Clayton Southerland, CPA, and Na Venator, CPA.

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 Education'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 Education for the year ended June 30, 2019.

### **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 Education'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 Education'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 2019-026.

### **Internal Control over Compliance**

Management of the Mississippi Department of Education 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 Education'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 Education'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, as described in the following paragraphs, we identified certain deficiencies in internal controls over compliance that we consider to be a material weakness.

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 noncompliance on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency identified in this letter as item 2019-026 to be a material weakness.

### **Finding and Recommendation**

#### **SUBRECIPIENT MONITORING**

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

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

**2019-026**                      Controls Should Be Strengthened to Ensure Compliance with On-Site Subrecipient Monitoring Requirements.

**CFDA Number**              84.010 Title I – Grants to Local Education Agencies  
84.367 Title II – Supporting Effective Instruction State Grants

**Federal Award No.**        S010A160024 (Title I)  
S010A170024 (Title I)  
S367A160023 (Title II)  
S367A170023 (Title II)

**Federal Agency**            United States Department of Education

**Pass-through Entity**       N/A

**Questioned Costs**        \$475,688

**Criteria**                      The terms and conditions of the grant agreements between the Mississippi Department of Education (MDE) and the U.S. Department of Education require MDE to administer grants in compliance with the *Code of Federal Regulations* (2 CFR Part 200 – Uniform Guidance). The *Code of Federal Regulations* (2 CFR Part 200.331) designates MDE, as a pass through entity, to properly identify subaward requirements to subrecipients, evaluate the risk of noncompliance for each subrecipient, and monitor the activities of subrecipients as necessary to ensure that subawards are used for authorized purposes, complies with the terms and conditions of the subawards and achieves performance goals.

MDE's Office of Federal Programs Division of Compliance (OFP-DC) procedures require an on-site monitoring review of each subgrantee contract based on risk assessment level of moderate or high. A tracking mechanism is used to ensure all subgrantee contracts are properly identified and monitored. The OFP-DC written procedures state each monitoring visit will have a monitoring team leader who is responsible for completing the monitoring report and obtaining necessary signatures for the monitoring instrument during the on-site monitoring visit. The monitoring instrument is designed to include all areas of compliance to be monitored. The written procedures further state the completed monitoring instrument will be signed by the Federal Programs Director, all district-level staff involved in the monitoring, and all members of the OFP-DC monitoring team prior to issuance of a written report with findings and/or questioned costs to the school district. OFP-DC written procedures require the school district to prepare a Corrective Action Plan (CAP) within 30 days of receipt of the monitoring report and require OFP-DC to follow up with the CAP to ensure it is accomplished within 12 months of the monitoring visit. The procedures further state the Fiscal Monitoring Report Cover Sheet included in the monitoring instrument packet to identify the status of the monitoring visit either *Closed* or *Pending Compliance with Approved Corrective Action Plan*. Finally, the written procedures state a potential condition of approval of the school district's annual funding application is that the status of the monitoring report must be either *Closed* or *Pending Compliance with Approved Corrective Action Plan*.

**Condition**

During testwork performed over MDE's on-site subrecipient monitoring of 16 out of 147 school districts for school year 2017-2018, we noted the following exceptions:

- Seven instances, or 44%, in which the school district did not provide MDE with a CAP within 30 days of the monitoring report;
  - CAPs were received up to 161 days from the receipt of the monitoring report, with an average of 42 days passing between the monitoring report and the district's response in the instances noted;
- One instance, or 6%, in which no CAP was submitted to MDE;
- Eight instances, or 50%, in which no clearance letter was issued informing the school district the status of the monitoring report as *Closed* or *Pending Compliance with Approved Corrective Action Plan*. Follow up letters were sent to some of the districts, but 12 months has passed since the letters were sent and no clearance letters have been issued to finalize the monitoring reports. It should be noted that the OFP written procedures for monitoring school year 2019-2020, two school years after the school year tested, have been revised to state that follow up to CAPs is typically accomplished within 12 months but there are instances that will require a longer period based on feasibility of the corrective action or scheduling;
- Four instances, or 25%, in which the school districts have questioned costs totaling \$475,688 not yet resolved or refunded after 12 months since the monitoring visit has passed. It should be noted that the OFP written procedures for monitoring school year 2019-2020 have been revised to state that follow up to CAPs is typically accomplished within 12 months but there are instances that will require a longer period.
- For all school districts tested, we noted the monitoring instrument and

cover sheet were not consistently utilized. Some monitoring teams opted to use other documentation as an audit trail for preparation and supervisory approval of the monitoring visit. OFP-DC's written monitoring procedures state all members of the monitoring team, the school district personnel involved and the Federal Programs Director will sign the completed monitoring instrument. It should be noted that the OFP written procedures for school year 2019-2020 have been revised to state that the monitoring instrument will be completed but signatures from the monitoring team, school district personnel and Federal Programs Director are not required.

<b>Cause</b>	Staff were either unaware or did not follow identified policies and procedures for subrecipient on-site monitoring requirements.
<b>Effect</b>	MDE programmatic funding divisions rely upon on-site monitoring procedures to verify compliance with program regulations and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients and ensure closure of the monitoring visits in a timely manner could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.
<b>Recommendation</b>	We recommend the Mississippi Department of Education strengthen controls to ensure compliance with the agency's policies and procedures for on-site subrecipient monitoring.
<b>Repeat Finding</b>	No.
<b>Statistically Valid</b>	The sample is considered statistically valid.

**End of Report**



## MISSISSIPPI DEPARTMENT OF EDUCATION

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

### SINGLE AUDIT FINDINGS

March 23, 2020

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

Dear Mr. White:

The Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the single audit finding for the fiscal year ending June 30, 2019.

#### AUDIT FINDINGS:

84.010 Title I – Grants to Local Education Agencies  
84.367 Title II – Supporting Effective Instruction State Grants

#### Subrecipient Monitoring

2019-026 Controls Should Be Strengthened to Ensure Compliance with On-Site Subrecipient Monitoring Requirements

#### Response:

The MDE concurs with the audit finding; however, the agency has continued to work with subrecipients in an effort to resolve the questioned cost amount as noted in the report. A part of this resolution has included LEAs submitting documentation to mitigate the questioned cost amount. This is a continuous review in order to determine the final questioned cost amount, which will also include an on-site follow-up visit.

#### Corrective Action Plan:

- A. The MDE will continue to strengthen the subrecipient monitoring process and protocol to ensure compliance with the agency's policies and procedures. This will include standard operations for corrective action and questioned cost.
- B. Quentin Ransburg, Executive Director of Federal Programs
- C. June 30, 2021

Signed

A handwritten signature in black ink, appearing to read "Carey M. Wright", is written over the "Signed" line.

Carey M. Wright, Ed.D.  
State Superintendent