



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

March 16, 2020

Single Audit Management Report

Gregory Michel, Executive Director
Mississippi Emergency Management Agency
P.O. Box 5644
Pearl, MS 39288

Dear Mr. Michel:

Enclosed for your review are the single audit findings for the Mississippi Emergency Management Agency for Fiscal Year 2019. In these findings, the Auditor's Office recommends the Mississippi Emergency Management Agency:

1. Strengthen controls to ensure federal costs are reviewed, approved and are eligible prior to reimbursement;
2. Strengthen controls to ensure compliance with federal revenue draw requirements; and,
3. Strengthen controls to ensure compliance with subrecipient monitoring requirements.

Please review the recommendations and submit a plan to implement them March 25, 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB 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 appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Emergency Management Agency 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 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 program administered by the Mississippi Emergency Management Agency for the year ended June 30, 2019. The Office of the State Auditor's staff members participating in this engagement included Thomas Wirt, CPA, Virginia Anderson and Phillip Chu, 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, 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.

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Emergency Management Agency's compliance with the types of compliance requirements described in the *OMB Uniform Guidance* that could have a direct and material effect on the federal program selected for audit that is administered by the Mississippi Emergency Management Agency 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 Emergency Management Agency'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 Emergency Management Agency's compliance.

Results of Compliance Audit Procedures

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported by OMB Uniform Guidance and which are identified in this letter as items 2019-023, 2019-024 and 2019-025.

Internal Control over Compliance

Management of the Mississippi Emergency Management Agency 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 Emergency Management Agency's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 Emergency Management Agency'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 paragraph, we identified certain deficiencies in internal controls over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance identified in this letter as items 2019-023, 2019-024 and 2019-025 to be material weaknesses.

Findings and Recommendations

ALLOWABLE COST/ACTIVITIES ALLOWED

Material Weakness

Material Noncompliance

2019-023 Controls Should Be Strengthened to Ensure Federal Costs are Properly Reviewed, Approved and Eligible Prior to Reimbursement

CFDA Number 97.039 – Hazard Mitigation Grant Program

Federal Award No. DR-MS-1604

Federal Agency U.S Department of Homeland Security

Pass-through Entity N/A

Questioned Costs \$173,077

Criteria The *Code of Federal Regulations* (2 CFR 200.403(c)) states allowable costs must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

The federally approved MEMA Hazard Mitigation State Administrative Plan states that the Hazard Mitigation Officer will review reimbursement requests and submit a payment recommendation to the Governor Authorized Representative (GAR) at the agency. The GAR reviews and approves or denies the request. If the request is approved, the GAR forwards the request to MEMA's Accounting Division (Office of Support Services) for preparation of payment documents.

Condition Based on testwork performed over 50 payment transactions for the Hazard Mitigation Grant Program (HMGP), auditor noted two improper payments that were not approved by MEMA management as detailed below:

- A reimbursement payment for the Kids Campaign project under the 1604 Katrina Disaster Grant was approved for \$719,260 by MEMA executive management but the agency paid \$852,301 - \$133,041 more than approved. Of the difference, \$12,396 was deemed ineligible by the Hazard Mitigation Officer in the program division at MEMA prior to the Accounting Director finalizing the transaction in MAGIC, the state accounting system.
- A reimbursement payment for the Adult Campaign project under the 1604 Katrina Disaster Grant was approved for \$530,436 by MEMA executive management but the agency paid \$570,472 - \$40,036 more than approved. Of the difference, \$14,527 was deemed ineligible by the Hazard Mitigation Officer in the program division at MEMA prior to the Accounting Director finalizing the transaction in MAGIC.

In both instances, the Accounting Director circumvented controls by recalculating the reimbursements for these two awareness projects after the amounts were calculated and approved by the Mitigation Division and approved by Executive Management at the agency. It should be noted the Accounting Director at the time is no longer employed by the agency.

Cause The Accounting Director overrode controls in place to process transactions without proper review and approval.

Effect Monies reimbursed as ineligible will be deemed unallowable costs and may result in the loss of funding to the state, as well as the requirement of the state to reimburse federal funds.

Recommendation We recommend the Mississippi Emergency Management Agency strengthen controls to ensure federal costs are eligible and are properly reviewed and approved prior to reimbursement.

Repeat Finding No.

Statistically Valid The sample is considered statistically valid.

CASH MANAGEMENT

Material Weakness

Material Noncompliance

2019-024 Controls Should Be Strengthened to Ensure Compliance with Federal Revenue Draw Requirements

CFDA Number 97.039 – Hazard Mitigation Grant Program

Federal Award No. DR-MS-1604

DR-MS-4175

Federal Agency U.S Department of Homeland Security

Pass-through Entity N/A

Questioned Costs None.

Criteria The *Code of Federal Regulations* (31 CFR 205.33) requires the State to minimize time between the drawdown of Federal funds and the disbursement for Federal program purposes. The timing and amount of funds transferred must be as close as administratively feasible to a State's actual cash outlay.

Section 22.40.10 of the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual lists the major provisions of the Cash Management Improvement Act (CMIA), including that State and Federal agencies must minimize the time elapsing between the transfers of Federal funds to States. The MAAPP manual defines reimbursable funding as Federal funds requested based on actual amounts already paid by the State for Federal program purposes.

Condition During test work performed over federal revenue draws for the Hazard Mitigation Grant Program (HMGP), we noted \$1,192,787 in administrative costs for Disaster Grant 1604 Katrina and \$55,440 in administrative costs for Disaster Grant 4175 Severe Storms, for a total of \$1,248,227, incurred during the year were not drawn down timely nor accrued to fiscal year 2019. In addition, \$22,163 of administrative costs for Disaster Grant 4175 is unrecoverable since the federal grant is closed.

Cause Staff did not follow identified policies and procedures over cash management. The agency does not have adequate procedures in place to ensure administrative costs are reimbursed in a timely manner.

Effect Delayed requests of federal funds may result in a liability for the federal government and could be disallowed in the future due to draw limits. Additionally, untimely deposit of funds to the state treasury may result in the loss of investment earnings. The agency lost \$22,163 in administrative cost reimbursements due to not requesting the funds before closing the federal grant.

Recommendation We recommend the Mississippi Emergency Management Agency strengthen controls to ensure compliance with cash management requirements.

Repeat Finding Yes – 2018-054

Statistically Valid No.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2019-025 Controls Should Be Strengthened to Ensure Compliance with Subrecipient

Monitoring Requirements

CFDA Number	97.039 – Hazard Mitigation Grant Program	
Federal Award No.	DR-MS-1604	DR-MS-1916
	DR-MS-4175	DR-MS-4268
	DR-MS-4248	DR-MS-4295
Federal Agency	U.S Department of Homeland Security	
Pass-through Entity	N/A	
Questioned Costs	None.	
Criteria	<p><i>Code of Federal Regulations (2 CFR §200.331(f))</i> states all pass-through entities must verify that every subrecipient is audited as required by Subpart F - Audit Requirements when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501.</p> <p><i>Code of Federal Regulations (2 CFR 200.501)</i> states that a non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit.</p>	
Condition	<p>During our audit of the Mississippi Emergency Management Agency (MEMA), we reviewed the agency's process for monitoring their subrecipients' audit requirements. Based on inquiry with agency management and review of the agency's incomplete tracking log, MEMA did not ensure subrecipients were audited as required by federal regulations nor did the agency review audit reports received from subrecipients to ensure compliance with audit requirements in the <i>Code of Federal Regulations (2 CFR 200 Subpart F)</i> during state fiscal year 2019. The agency's tracking log for subrecipients' fiscal year 2017 audit reports was incomplete, listing a total of 26 subrecipients with 23 audit reports received and 3 subrecipients with no audit report received. The audit reports received were not reviewed and cleared nor was correspondence made with subrecipients that had not submitted an audit report.</p>	
Cause	<p>The agency has not yet implemented corrective action for the prior year finding over subrecipient monitoring.</p>	
Effect	<p>Failure to properly monitor subrecipients could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.</p>	
Recommendation	<p>We recommend the Mississippi Emergency Management Agency strengthen controls over subrecipient monitoring to ensure recipients expending \$750,000 or more in Federal funds during their fiscal year are appropriately monitored and an audit is obtained. In addition, we recommend internal policies and procedures be implemented over the audit tool used to monitor subrecipients to ensure completeness of subrecipients requiring an audit.</p>	
Repeat Finding	Yes – 2018-055	

Statistically Valid No.

End of Report



State of Mississippi

TATE REEVES

Governor

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

GREGORY S. MICHEL
EXECUTIVE DIRECTOR

Single Audit Findings

April 22, 2020

Honorable Shad White, State Auditor
Office of the State Auditor
State of Mississippi
Attn: Jason Ashley
P. O. Box 956
Jackson, MS 39205-0856

Dear Mr. White:

We have reviewed the audit findings below in reference to the Mississippi Emergency Management Agency 2019 fiscal year audit. Listed below is our individual response and plan for corrective action:

Findings:

ALLOWABLE COST/ACTIVITIES ALLOWED

2019-023	<u>Controls Should be Strengthened to Ensure Federal Costs are Properly Reviewed, Approved and Eligible Prior to Reimbursement</u>
CFDA Number	97.039 – Hazard Mitigation Grant Program
Federal Award No.	DR-MS-1604
Federal Agency	U. S. Department of Homeland Security
Pass-through Entity	N/A
Questioned Costs	\$173,077

Response: Concur

Corrective Action Plan:

This was an isolated incident that happened due to an employee that circumvented the proper procedures. This employee is no longer employed with the Agency. The

Mississippi Emergency Management Agency has two levels of approvals for financial transactions. The Agency intends to implement an internal audit process that will assist in finding these instances.

CASH MANAGEMENT

2019-024 Controls Should Be Strengthened to Ensure Compliance with Federal Revenue Draw Requirements.

CFDA Number 97.039 – Hazard Mitigation Grant Program

Federal Award No. DR-MS-1604; DR-MS-4175

Federal Agency U.S Department of Homeland Security

Pass Through Entity N/A

Questioned Costs None

Response: Concur

Corrective Action Plan:

Draws for administrative costs will be processed quarterly. A breakdown detailing the calculation must be submitted each month by the programmatic office. Support Services Grants will provide a rollup of all Administrative expenses paid for the quarter to the programmatic office for review. After review, the Programmatic office will submit the reimbursement amount for approval of the amount by FEMA. After FEMA approval, the Programmatic office will submit the expense reimbursement through the proper chain of command for approval of draw. Finally, Support Services will notify the Programmatic office of receipt of the request and upon completion of the draw.

SUBRECIPIENT MONITORING

2019-025 Controls Should be Strengthened to Ensure Compliance over Subrecipient Monitoring of OMB Uniform Guidance Audits.

CFDA Number 97.039 – Hazard Mitigation Grant Program

Federal Award No. DR-MS-1604 DR-MS-1916

DR-MS-4175 DR-MS-4268

DR-MS-4248 DR-MS-4295

Federal Agency U.S Department of Homeland Security

Pass Through Entity N/A

Questioned Costs None

Response: Concur

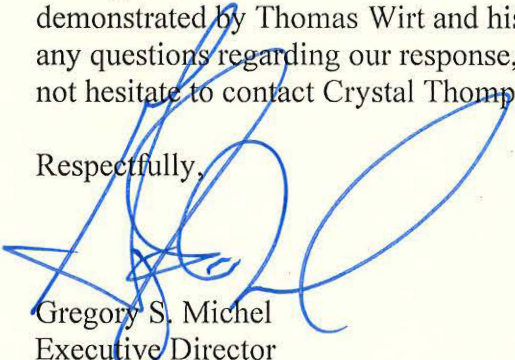
Corrective Action Plan:

The Mississippi Emergency Management Agency is currently in the process of implementing new procedures and processes for compliance with the *Code of Federal Regulations* 2 CFR 200 Subpart F, audit requirements. The Agency is building a stronger reporting and monitoring system for Single Audits.

New Policies and Procedures have been written for Single Audits and will be monitored by the Office of Support Services. Support Services will work with all offices within the Agency to ensure the correct data is captured and will review all documents that are sent out addressing Single Audit requirements.

Our Agency intends to implement changes in all areas within the Agency that are affected by the findings of this audit. We would like to express our thanks for the courtesy and professionalism demonstrated by Thomas Wirt and his field staff while conducting the audit. Should you have any questions regarding our response, corrective action or need further information, please do not hesitate to contact Crystal Thompson, Director, Office of Support Services at 601-933-6603.

Respectfully,



Gregory S. Michel
Executive Director