



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

March 17, 2020

Single Audit Management Report

Major General Janson D. Boyles, Adjutant General of Mississippi
Mississippi Military Department
1410 Riverside Drive
Jackson, MS 39202

Dear General Boyles:

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

1. Strengthen controls to ensure agency verifies vendors are not suspended or debarred; and
2. Strengthen controls to ensure compliance with federal reporting requirements.

Please review the recommendation and submit a plan to implement it by March 24, 2020. The enclosed finding contains more information about our recommendation.

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 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 recommendation enables the Mississippi Military Department to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Military Department. 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 Military Department for the year ended June 30, 2019. The Office of the State Auditor's staff members participating in this engagement included Michael Torres, CPA; Angela Mire, CPA; Brianna Dang, 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, *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 Military Department'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 Military Department 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 Military Department'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 Military Department'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 items 2019-018 and 2019-019.

Internal Control over Compliance

Management of the Mississippi Military Department 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 Military Department'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 Military Department's internal control over compliance.

A deficiency in internal control over compliance 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 with a type of compliance requirement on a timely basis. A *material weakness in internal control over compliance* 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 of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses. We did identify certain deficiencies in internal control over compliance, identified in this letter as items 2019-018 and 2019-019 that we consider to be significant deficiencies.

Findings and Recommendations

PROCUREMENT, SUSPENSION, AND DEBARMENT

Significant Deficiency

Immaterial Noncompliance

2019-018	<u>Controls Should Be Strengthened to Ensure Agency Verifies Vendors are not Suspended or Debarred.</u>
CFDA Number	12.400 – Military Construction, National Guard
Federal Award No.	W9127Q-16-2-2002 (2016) W9127Q-16-2-2001 (2016) W9127Q-13-2-2001 (2013) W9127Q-18-2-2001 (2018)
Federal Agency	U.S. Department of Defense
Pass-through Entity	N/A
Questioned Costs	N/A

Criteria	The Code of Federal Regulations (2 CFR 180.300) requires when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking SAM Exclusions; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person.
Condition	During testwork performed for procurement, suspension, and debarment over the Military Construction, National Guard program for the fiscal year 2019, auditor noted five out of nine vendors lacked a review of DUNs for suspension and debarment.
Cause	The State of Mississippi Military Department relied on internal recommendation produced by project managers, whom did not know the requirement for verification of DUNs number.
Effect	The State of Mississippi Military Department could contract with vendors whom are suspended or debarred. Payments to suspended or debarred would be disallowed, requiring management terminate contract midway. Loss of federal funding for project.
Recommendation	We recommend the Mississippi Military Department strengthen controls to ensure compliance with Procurement, Suspension, and Debarment.
Repeat Finding	No.
Statistically Valid	The sample is not considered statistically valid.

REPORTING

Significant Deficiency *Immaterial Noncompliance*

2019-019	<u>Controls Should Be Strengthened to Ensure Compliance with Federal Reporting Requirements.</u>
CFDA Number	12.400 – Military Construction, National Guard
Federal Award No.	W9127Q-16-2-2002 (2016) W9127Q-16-2-2001 (2016) W9127Q-13-2-2001 (2013) W9127Q-18-2-2001 (2018)
Federal Agency	U.S. Department of Defense
Pass-through Entity	N/A
Questioned Costs	N/A

Criteria	National Guard Regulation (NGR) 5-1, Section 11-4 states “To process reimbursement payments, the grantee shall provide an OMB Standard Form (SF) 270 (Request for advance or reimbursement) with supporting documentation to the Cooperative Agreement Program Manager.”
Condition	During inquiry performed for reporting requirements over the National Guard Military Construction Projects (NGCP) and the related Military Construction Cooperative Agreements for the fiscal year 2019, we noted that SF-270 forms were not being completed with reimbursement requests to draw down grant funds for this program as required by federal regulations. This same finding was also issued during the fiscal year 2018 audit, however due to the timing in which the finding was issued this is a repeat finding. It is noted that the agency made corrections to this and began issuing the SF-270 in October 2019.
Cause	Personnel were either unaware or did not follow identified regulations for reporting related to Uniform Guidance.
Effect	Failure to submit reports could result in reporting penalties and could impact funding determinations.
Recommendation	We recommend the Mississippi Military Department implement controls over the preparation and submission of required federal reports.
Repeat Finding	Yes
Statistically Valid	The sample is not considered statistically valid.

End of Report



STATE OF MISSISSIPPI MILITARY DEPARTMENT



THE ADJUTANT GENERAL'S OFFICE
POST OFFICE BOX 5027
JACKSON, MISSISSIPPI 39296-5027

30 March 2020

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

Mr. White:

This letter addresses the corrective actions taken regarding the single audit finding for the Mississippi Military Department for Fiscal Year 2019.

Finding 2019-018: CFDA Number 12.400 – Military Construction, National Guard. “Controls should be strengthened to ensure agency verifies vendors are not suspended or debarred.”

This finding involves a failure to verify the status of contractors on the SAMs.gov website, and to effectively document that the status was verified prior to the contract being awarded.

Corrective Action: Effective immediately, all contractors receiving federal funds through CFDA Number 12.400 are being verified as “Active” in the SAMs.gov website prior to be awarding a contract.

Finding 2019-019: CFDA Number 12.400 – Military Construction, National Guard. “Controls Should Be Strengthened to Ensure Compliance with Federal Reporting Requirements”.

This finding centers around the requirement of NGR 5-1, Section 11-4 to request federal reimbursement utilizing OMB Standard Form (SF) 270. This is a recurring finding, resulting from the timing of last year’s audit which occurred in May 2019. Upon receipt of this finding, we immediately coordinated with our federal partners to implement a resolution. Unfortunately, state FY 2019 was closed prior to implementation, and this year’s audit did not demonstrate that the issue had been corrected.

Corrective Action: Effective 1 October 2019, all 12.400 invoices were submitted to our federal partners using Standard Form 270 in accordance with National Guard Regulation (NGR) 5-1.

The contact person responsible for corrective action is LTC(R) Wayne Carpenter, Director of the Fiscal Division, Mississippi Military Department. 601-313-6220, wcarpenter@mil.ms.gov.

A handwritten signature in black ink, appearing to read "Amos Parker", with a stylized flourish at the end.

Amos P. Parker, Jr.
Brigadier General, MSARNG
Assistant Adjutant General - Army