



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING**

June 29, 2017

**Limited Internal Control and Compliance Review Management Report**

Chris Howard, Executive Director  
Mississippi Department of Rehabilitation Services  
1281 Highway 51  
Madison, Mississippi 39110

Dear Mr. Howard:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Department of Rehabilitation Services for the Fiscal Year 2016. In these findings, the Auditor's Office recommends the Mississippi Department of Rehabilitation Services:

1. Strengthen internal controls over cash receipts;
2. Strengthen internal controls over maintenance of contracts;
3. Strengthen internal controls over board minute documentation;
4. Ensure compliance with the state law over timely submission of invoices for payment;
5. Ensure compliance with state law over transferring interest earned on bank accounts to the state general fund.

Please review the recommendations and submit a plan to implement them July 13, 2017. 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 you find our recommendations enable the Mississippi Department of Rehabilitation Services to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Rehabilitation Services throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Stephanie C. Palmertree".

STEPHANIE PALMERTREE, CPA, CGMA  
Director, Financial and Compliance Audit

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Department of Rehabilitation Services for the year ended June 30, 2016. The Office of the State Auditor's staff members participating in this engagement included Deanna White, CPA, Jeremy Miller, CPA, Brianna Blair, Veronica Funchess, Rick Kinnard, Shavonda Lott, and Elevia Tate.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. 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.

In performing our review, we noted certain matters involving internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the headings **OTHER CONTROL DEFICIENCIES** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**. A control deficiency 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.

## **OTHER CONTROL DEFICIENCIES**

### **Finding:** Agency Should Strengthen Internal Controls Over Cash Receipts

**Executive Summary:** In order to ensure timely transfer of funds to Treasury, the agency must document in agency records the date funds are received. During our review of cash receipts, we found that, for some items, the agency was not recording cash receipts in the receipts log. Good internal controls require documentation of cash receipts in agency records.

**Recommendation:** We recommend the Mississippi Department of Rehabilitation Services record all cash receipts in a receipts log.

**Finding Detail:** During our review of cash receipts for the Mississippi Department of Rehabilitation Services, we noted six (6) instances in which cash receipts were not recorded in the cash receipts log maintained by the agency.

Good internal controls require that all funds received by the agency should be recorded in a cash receipts log. Failure to maintain a log of all cash receipts increases the risk of theft and/or misplacement of funds while held at the agency level.

### **Finding:** Agency Should Strengthen Internal Controls Over Maintenance of Contracts

**Executive Summary:** During our review of contractual services, agency personnel could not locate a contract for a vendor. Good internal controls dictate all services that require contracts should have contracts maintained at the agency for review.

**Recommendation:** We recommend the Mississippi Department of Rehabilitation Services maintain all contracts at the agency for services that require a contract.

**Finding Detail:** During our review of contractual services for the Mississippi Department of Rehabilitation Services, we noted one (1) instance in which agency personnel could not locate a contract.

Good internal controls require that all contracts for services to be maintained at agency. Failure to maintain all contracts could result in noncompliance of terms as stated in the contract.

**Finding:** Agency Should Strengthen Internal Controls Over Board Minutes Documentation

**Executive Summary:** During our review of board minutes, agency personnel could not locate the signed minutes for the February 9, 2016 meeting. Good internal controls dictate all board minutes should be signed, documenting approval.

**Recommendation:** We recommend the Mississippi Department of Rehabilitation Services strengthen controls by requiring all board minutes to be signed and maintained by the agency.

**Finding Detail:** During our review of the minutes of nine (9) board meetings during the period of May 2015 through June 2017, we noted one (1) instance in which agency personnel could not locate a signed copy of board minutes.

Good internal controls require that all minutes of board meetings held by the agency should be signed by approving personnel. Failure to maintain documentation of signed board minutes could result in inconsistent records maintained by the agency.

## INSTANCES OF NONCOMPLIANCE

**Finding:** Ensure Compliance with State Law over Timely Submission of Invoices for Payment

**Executive Summary:** During our review of contractual services, instances were noted in which invoices for services received were not submitted for payment to the Mississippi Department of Finance and Administration (DFA) timely. State law dictates that invoices be submitted timely to DFA in order to process the payment to vendors in an efficient manner.

**Recommendation:** We recommend the Mississippi Department of Rehabilitation Services ensure compliance with state law over submission of requests for payment of invoices.

**Finding Detail:** During our review of contractual services at the Mississippi Department of Rehabilitation Services, we noted two (2) instances in which invoices for services received were not submitted to DFA within 30 days of receipt of the invoice.

Mississippi Code Annotated 1972 § 31-7-303 states, "The requisition for payment of an invoice submitted to a public body and required by law to be filed with the State Fiscal Management Board shall be filed with the State Fiscal Management Board not later than thirty (30) days after receipt of the invoice and receipt, inspection and approval of the goods or services, except that in the case of a bona fide dispute the requisition for payment shall contain a statement of the dispute and authorize payment only in the amount not disputed. If a requisition for payment filed within the thirty-day period is returned by the State Fiscal Management Board because of an error, it shall nevertheless be deemed timely filed. The thirty-day filing requirement may be waived by the State Fiscal Management Board on a showing of exceptional circumstances in accordance with rules and regulations established by the State Fiscal Management

Board.” Failure to comply with state law could result in untimely payments to vendors for services received.

**Finding:** Ensure Compliance with State Law over Transferring Interest Earned On Bank Accounts to the State General Fund

**Executive Summary:** In order to comply with state law, interest earned on agency bank accounts must be transferred to the State General Fund. During our review of the bank accounts at Mississippi Department of Rehabilitation Services, auditor noted that interest was not deposited into General Fund 2999000000 for one (1) bank account.

**Recommendation:** We recommend the Mississippi Department of Rehabilitation Services ensure compliance with MS Code 7-9-12 by depositing bank account interest into Fund 2999000000 on a timely basis.

**Finding Detail:** During our review of bank accounts at the Mississippi Department of Rehabilitation Services, we noted one (1) interest-earning account in which interest was not being deposited into the General Fund 2999000000.

Mississippi Code Annotated § 7-9-12 states “The State Treasurer may by regulation provide for the establishment of commercial bank accounts by any state agency, which shall serve as the depository for funds which are collected or held by state agencies and required by law to be deposited in the Treasury. Each such account established shall have a maximum balance to be fixed by the State Treasurer. All such accounts shall bear interest which shall be deposited in the General Fund, except for interest on funds in the account of the Mississippi Employment Security Commission designated as the ‘Mississippi Employment Security Commission Fixed Price Contract Account.’ Such interest shall be retained as part of the account to be used by the Mississippi Employment Security Commission solely for Job Training Partnership Act programs.” Failure to deposit the earned interest from bank accounts timely could result in failure to promptly detect fraudulent transactions.

**End of Report**