



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

June 28, 2017

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

Ray C. Minor, Executive Director  
Mississippi Workers' Compensation Commission  
1428 Lakeland Dr.  
Jackson, Mississippi 39296-5300

Dear Mr. Minor:

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

1. Strengthen internal controls over recording compensatory leave; and
2. Ensure compliance with state purchasing and procurement laws;

Please review the recommendations and submit a plan to implement them by July 14, 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 Workers' Compensation Commission to carry out its mission more efficiently. 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 PALMERTREE, CPA, CGMA  
Director, Financial and Compliance Audit  
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Workers' Compensation Commission 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, Shavonda Lott, and Emily Mathis.

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.

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 *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. 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.

In performing our review, we noted a certain matter involving the internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the heading **SIGNIFICANT DEFICIENCY** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

## **SIGNIFICANT DEFICIENCY**

**Finding:** Agency Should Strengthen Internal Controls Over Recording Compensatory Leave

**Executive Summary:** In order to ensure that compensatory leave is accurate in the Statewide Payroll & Human Resources System (SPAHRs), the Mississippi Workers' Compensation Commission must begin to record compensatory leave in SPAHRs as recorded in agency records. We found that the agency was not recording leave in SPAHRs. Good internal controls require internal agency leave records to reflect external statewide leave records.

**Recommendation:** We recommend the Mississippi Workers' Compensation Commission properly report in SPAHRs all compensatory leave accrued and taken to ensure that leave is accurately recorded in the statewide system.

**Finding Detail:** During fiscal year 2016, employees at the Mississippi Workers' Compensation Commission were permitted to earn and use compensatory leave. It was noted that compensatory leave was documented in agency records; however, compensatory leave was not recorded in SPAHRs.

Good internal controls require that all compensatory leave accrued and taken be properly reported in SPAHRs. Failure to report compensatory leave in SPAHRs could result in inaccurate leave balances or unauthorized use of compensatory leave.

## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding:** Agency Should Ensure Compliance with State Purchasing Law

**Executive Summary:** In order to comply with state law, purchase orders should be dated prior to the receipt of goods and services in order to avoid unauthorized purchases. During our audit, multiple instances were noted in which purchase orders were dated after the receipt of goods and services.

**Recommendation:** We recommend the Mississippi Workers' Compensation Commission ensure compliance with state purchasing and payment laws by issuing and approving purchase orders prior to the receipt of goods and services.

**Finding Detail:** During our review of twenty (20) contractual services expenditures at the Mississippi Workers' Compensation Commission, we noted three (3) instances in which purchase orders were not dated prior to the receipt of goods and services.

Section 7-7-23(1) of the Mississippi Code of 1972 states, "Purchases of equipment, supplies, materials or services of whatever kind or nature for any department, officer, institution or other agency of the state, the cost of which is to be paid from funds in the State Treasury on State Fiscal Officer disbursement warrants, may be made only by written purchase orders duly signed by the official authorized so to do, on forms prescribed by the State Fiscal Officer. Purchases of such equipment, supplies, materials, or services, as specified herein, made without the issuance of such purchase orders shall not be deemed to be obligations of the state unless the State Fiscal Officer, by general rule or special order, permits certain purchases to be made without same. As many copies of each purchase order shall be prepared as may be prescribed by the State Fiscal Officer, but at least one (1) copy shall be furnished the vendor, one (1) copy shall be furnished the State Fiscal Officer, and one (1) copy shall be retained by the department or agency for whose benefit the purchase is made. The State Fiscal Officer, by general rule or special order, may allow for the submission of purchase orders in a format not requiring a signature. It shall be the duty of the proper official in each department or agency to forward the copy of each purchase order to the State Fiscal Officer on the same day the said order is issued." Failure to comply with state compliance law could result in the purchase of unauthorized services, equipment, materials, etc.

**Finding:** Agency Should Ensure Compliance with State Procurement Law

**Executive Summary:** In order to ensure compliance with the Mississippi Procurement Manual requirements and as required by good internal controls, the Mississippi Workers' Compensation Commission must strengthen controls over procurement card purchases. We found that the employee who made purchases using the procurement card did not sign the receipt or supporting statement verifying the purchase of goods.

**Recommendation:** We recommend the Mississippi Workers' Compensation Commission strengthen controls over procurement card purchases by following agency policy of having all charge slips/receipts signed by the authorized purchaser.

**Finding Detail:** During our review of the November 2015 UMB statement for procurement card purchases, we noted six (6) instances in which charge slips/receipts were not signed by the employee purchasing the goods.

Section 10.112.04 of the Mississippi Procurement Manual issued by the Office of Purchasing, Travel and Fleet Management at the Department of Finance and Administration requires that a list of the items purchased (either in the form of a detailed sales receipt or an order description) is reviewed and confirmed

in writing by the cardholder. This list should have the cardholder's printed name and signature. Failure to have charge slips signed by the employee purchasing the goods could result in unauthorized card users making purchases.

**End of Report**