



LIMITED FORENSIC REVIEW OF THE MISSISSIPPI DEPARTMENT OF EDUCATION

PERFORMED BY THE OFFICE OF THE STATE AUDITOR FOR FISCAL YEARS 2016/2017

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I. BACKGROUND

The Mississippi Department of Education (MDE) has historically been awarded several federal grants. These grants are awarded to MDE in order to accomplish specific goals, and funds from these grants must be used only for expenditures that help reach those goals. These grants are awarded with an understanding from the grantee (MDE) that the terms and conditions of these grants must be met or the grantor (United States Department of Education – USDE) may request repayment (claw back) of grant funds.

Federal grants are assigned a unique identifier that is used exclusively to distinguish and identify the individual grant programs so that they can be cataloged. These identifiers are referred to as “Catalog of Federal Domestic Assistance (CFDA)” numbers. CFDA numbers do not vary from state to state nor do they change from year to year. Each CFDA number is assigned a grant and those grants are awarded with a specific set of criteria that disbursed funds must adhere to in order to be considered appropriate and necessary. The specific set of criteria are commonly referred to as “activities allowed” or “allowable costs.” If expenditures are made outside of the specific criteria, they are considered “unallowable” and must be reimbursed or clawed back by the federal grantor.

Federal grants are also regulated by The Office of Management and Budget’s (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Grants (Uniform Guidance). Uniform Guidance contains definitions of cost principles, detailed information about the allowability of classes of costs (i.e. training, marketing, etc.), and special considerations for types of grantees. Additionally, the OMB produces a “Compliance Supplement” that is edited and released each year that defines audit criteria and additional information for grantees. The Compliance Supplement often defines specific allowable costs/activities allowed for each CFDA number.

As part of the audit requirements for federal grantees defined in Uniform Guidance, if expenditures or disbursements do not contain sufficient documentation or appear to be for an expense that is disallowed under the grant requirements, those costs are considered “questioned” and should be referred to the federal grantor for further consideration in the audit report.

For the purposes of this report, the Office of the State Auditor of Mississippi (OSA) reviewed expenditures primarily from the following grants:

- CFDA 84.010 – Title 1 Grants to Local Educational Agencies (Title 1) – Federal grant funds are subgranted from MDE to provide financial assistance to local educational agencies (LEAs) and schools with high numbers or high percentages of children from low-income families.
- CFDA 84.287 – 21st Century Community Learning Centers (21st Century) – Federal grant funds are re-granted from MDE to support the creation of community learning centers that provide academic enrichment during non-school hours, particularly students who attend high poverty and low performing schools.

In August of 2011, MDE became aware that funds for the 21st Century program had been miscalculated and overcommitted. According to MDE personnel, the over-commitment occurred because staff in the Office of Federal Programs neglected to factor in multi-year grant awards when calculating the amount of available funds for new grants. MDE then funded new grants with previously committed funds, thereby causing a cash shortfall in funding. When reimbursements were requested by afterschool learning centers, the Office of Federal Programs was informed by Accounting personnel at MDE that there no funds available to repay the afterschool centers as all the grant funds had been distributed. The Director of the Office of Federal Programs instructed the

Accounting personnel to pay the 21st Century grant reimbursements from Title 1 funds until more money could be located. This practice continued for several months until a substantial amount of Title 1 funds had been used to pay for 21st Century expenditures, a practice that is forbidden by grant agreements with the USDE and is considered unallowable costs.

After several months of communication between federal authorities, MDE and OSA, OSA informed MDE that a forensic review would be performed. Grant funds for both Title 1 and 21st Century would be reviewed in a limited forensic review to determine the pervasiveness and extent of the unallowable costs and to formulate recommendations for the USDE, OIG and State Board of Education.

A detailed timeline of communication and reports related to the forensic audit are included in “Section VI: Communication.”

II. SCOPE AND PROCEDURES PERFORMED

The Scope of Services provided by OSA had two primary goals. The first goal was to pinpoint and determine the exact amount of the misappropriation of Title 1 Funds to 21st Century. During the months immediately preceding the forensic review, the amount reported by MDE varied between a first estimate of \$21 million to a final estimate of \$7.6 million. According to conversations with OIG representatives, the USDE required more exact information on the amount of misspent funds to determine the probable course of action in requesting repayment.

The second goal was to determine if and how MDE had taken steps to fulfill the Title 1 obligations in full and if steps had been taken to “make the program whole” before intervention of USDE. According to email correspondence between MDE and USDE, and additional inquiry from OSA, MDE personnel were informed that the concern of USDE was that the Title 1 program would not meet its obligations to grantees unless additional funds were paid from state funds.

In order to achieve the first goal of the forensic review, OSA needed to determine if there were any other shortfalls in the Title 1 Program and the 21st Century program. Additionally, OSA needed to confirm that funds from other federal grants were not comingled and used to offset the initial 21st Century deficit. OSA performed reconciliations of the grant funds that were awarded to subgrantees (via subgrantee award notices) to the actual amount of funds expended per grantee (via statewide accounting records). These reconciliations were performed for both the Title 1 and 21st Century programs. OSA personnel also verified the allowability of 100% of transactions in the Title 1 and 21st Century programs. Reimbursement requests were verified and traced back to payments to verify correct grant funds were used to pay expenditures. OSA also sampled transactions from other federal grants to determine if costs paid were allowable and from the proper and appropriate federal revenue funds.

Additionally, OSA requested audit trail documentation of any reimbursement from State appropriated funds that was made by MDE. Reports were independently verified in the statewide accounting system and were traced back to source documentation.

A tertiary goal of the report was to determine the sequence of events that led to the misappropriation of funds and to determine that the terminations referred to by MDE as corrective action included all those responsible for the circumvention of controls. OSA performed these procedures by reviews of personnel records and interviews with MDE staff – current and former.

III. RESULTS OF PROCEDURES PERFORMED

- 1) Through re-performance of procedures, reconciliations and additional testwork, it was determined that the initial misappropriation of funds from Title 1 to 21st Century totaled \$11,644,855.02.
 - a. The initial estimate of \$19 - \$21 million was a calculation performed by MDE of the total amount of the deficit in 21st Century grant funds due to the miscalculation of obligated funds. This amount did not reflect the amount of misappropriated funds from Title 1 as all grant expenditures from 21st Century had not been requested at the time the error was discovered.
- 2) Per correspondence with MDE and through verification from OSA, \$149,045.92 of the initial amount referred to above was returned by grantees to MDE thereby reducing the amount of the misappropriation to \$11,495,809.10.
- 3) The amount of misappropriated funds for fiscal year 2017 totaled \$3,952,146.20. Funds from current year grant revenue from the 21st Century Grant were transferred to Title 1 to repay this misappropriation. OSA verified the accuracy and completeness of the journal entries in the statewide accounting system transferring the funds from one federal grant to the other.
- 4) After considering the repayment of funds referenced in item 3 and the journal entries to transfer funds in item 4, the total amount of the misappropriation is \$7,543,662.90. OSA has confirmed MDE's calculation of the total amount of unallowed costs.
- 5) OSA, through inquiry, determined the cause of the misappropriation was limited to the collusion of personnel at MDE and the circumvention of controls by senior management in the Office of Federal Programs. OSA could not find evidence that any personnel still employed at MDE participated in the collusion or circumvention.
- 6) MDE personnel have implemented a plan of repayment in order to fulfill the State's obligation to reimburse the Title 1 grant funds for the misappropriated \$7,543,662.90 by September 2017. HB 1502, Regular Session 2017, granted MDE the authority to expend \$7.6 million of state appropriated funds to repay the Title 1 grant program (Attachment K). As reimbursements have been requested from subgrantee school districts of the Title 1 program, MDE is allowed to request drawdowns to reimburse these expenditures from grant funds. A portion of reimbursements each month are being paid with these state funds. OSA was able to verify the amounts withheld from reimbursement draw down requests are for Title 1 and that as of September 2017, \$7,543,662.90 has been reimbursed from appropriated state funds.
- 7) Approximately \$139,567 of reimbursement requests for the 21st Century Grant program for fiscal year 2015 could not be located by MDE personnel. School district business managers were contacted; however, documentation remained unaccounted for by MDE.

IV. CONCLUSIONS FROM TESTWORK

- 1) Personnel from the Mississippi Department of Education miscalculated available, unobligated grant funds for the 21st Century grant program. The cause of this miscalculation is due to poor grant management policies, procedures and tracking. The lack of understanding of the statewide accounting system contributed to the inability of the Office of Federal Programs to correctly reconcile unobligated balances for federal grants. Additionally, OSA found that grant numbers assigned by MDE personnel for internal accounting often conflicted with other documentation (i.e. internal order number listings) and could have contributed to the lack of grant management.

- 2) Personnel from the Mississippi Department of Education knowingly and intentionally colluded and circumvented existing controls to try to conceal the miscalculation of grant balances. Personnel were aware that grant funds were not available to reimburse 21st Century subgrantees and directed accounting personnel to overwrite the request for 21st Century funds and reimburse payments with Title 1 grant monies. OSA could not find evidence that any current employees participated in the collusion or circumvention.
- 3) Due to the lack of monitoring by management and the circumvention of controls, MDE did pay 21st Century reimbursement expenditures with Title 1 grant money, an act that is considered unallowable for the Title 1 grant system. Initially, this resulted in questioned costs of \$7,543,662.90 for fiscal year 2016 and \$3,952,146.20 of questioned costs for fiscal year 2017. MDE rectified the questioned costs for fiscal year 2017 during the same period; therefore reducing the total amount of questioned costs to \$7,543,662.90.
- 4) MDE could not provide supporting documentation for reimbursement requests in the amount of \$139,567 for fiscal year 2015. These costs could not be verified as expenditures allowable by 21st Century grant funds; therefore, they are also considered questioned costs.
- 5) MDE has prepared a method of reimbursement to the Title 1 program in order to make the Title 1 program whole in terms of grant monies. After review of documentation provided, it appears that MDE has fulfilled its obligation to repay the \$7,543,662.90 to the Title 1 program from state appropriated funds. While the method chosen by MDE can appear convoluted and unnecessarily complex, the objective of having the funds repaid was met by MDE by September 2017.
- 6) Due to the miscalculation of unobligated funds by MDE, numerous afterschool community learning centers were denied committed grant funds. Grant contracts for approximately 46 afterschool learning centers were de-committed in fiscal year 2016 causing an undue burden on subgrantees.

V. RECOMMENDATIONS

- 1) MDE should strength controls over federal grants and federal revenue. Additional policies and procedures should be implemented to prevent further instances, whether intentional or accidental, of questioned costs and unallowable activities. Staff should be better trained to understand the grant management functions of the statewide accounting system and should endeavor to practice increased diligence when preparing grant schedules, reports, etc. so that information is correct and verifiable.
- 2) MDE should submit all documentation supporting the reimbursement of the \$7,543,662.90 to the USDE and OIG to ensure that reimbursement methods are sufficient and have been accepted by federal authorities.
- 3) MDE should strengthen controls over grant monitoring by management personnel to ensure that circumvention of existing internal controls has not occurred.

- 4) MDE should strengthen controls over the tracking of obligated and unobligated grant balances to ensure monies are appropriately accounted for and distributed in accordance with grant agreements – both federal grant agreements and those signed with subgrantees.
- 5) MDE should prepare monthly reconciliations of grant funds received, committed, obligated, expended and paid on a grant by grant, year by year basis to prevent unauthorized payments in the wrong period of availability and to ensure that adequate audit trails are maintained.
- 6) In order to fully comply with requests from USDE, MDE should procure or allow OSA to perform a final reconciliation on Title 1 funds at the end of the grant period for 2016 to ensure that the Title 1 grantees are awarded their full awards and that the program is, in fact, completely made whole by MDE.

VI. COMMUNICATION TIMELINE

On August 11, 2016, MDE released a press update regarding the over commitment of federal funds for the 21st Century Community Learning Centers grant for fiscal year 2015/2016 (Attachment A). The press release stated that MDE was facing a \$19 million deficit in grant funds due to a shortfall. MDE further clarified that grants made from MDE to afterschool programs were renewable for up to five years and that MDE personnel granted 46 new grants in fiscal year 2015/2016 without accounting for the renewable portion of the original 65 grantees. Additionally, MDE acknowledged that, due to the cash shortfall of 21st Century Grant Funds, reimbursements for 21st Century grantees had been paid from the Title 1 grant funds. MDE informed afterschool grantees that it was “working with the U.S. Department of Education (USDE) to develop a comprehensive plan to fill the deficit while attempting to minimize the impact to grantees.” MDE also acknowledged that the employees it considered responsible for the mistake had been terminated.

OSA, having been alerted to the possibility of \$19 million in questioned costs for the Title 1 program via the August press release, requested, via letter dated August 30, 2016, that personnel at MDE supply detailed information to OSA so that swift and appropriate action could be taken to minimize the impact of possible federal claw backs. OSA also needed this information to assess the risk of material misstatement or material noncompliance that had occurred in additional federal programs and to what extent these errors would affect overall risk assessment of the Consolidated Annual Financial Report (CAFR) and the Statewide Single Audit. This letter is included as Attachment B.

On September 16, 2016, MDE published a news release announcing that they had developed a plan to continue paying afterschool centers as much as funds would allow. Per the news release “After receiving guidance from the U.S. Department of Education, we decided to scale back programming in 2016/2017 while we re-evaluated how 21st Century grants are awarded and monitored.” MDE announced that grantees in the fourth or fifth year of the funding cycle would receive full funding and that new grants that were over committed would be discontinued. Additionally, MDE announced that the shortfall deficit had been reduced to \$7.6 million after reconciliations were performed in house. This news release is included as Attachment C.

On September 21, 2016, MDE responded to the initial request of OSA, reiterating that the three employees had been terminated and enclosing the previously mentioned press releases. Specific information that was requested from MDE regarding the underlying cause of the error, detailed listings of expenditures misallocated, etc. was not provided. This correspondence is listed as Attachment D.

On October 5, 2015, State Auditor Stacey Pickering informed Dr. Carey Wright, State Superintendent, and the Mississippi State Board of Education (the Board) that OSA did not feel that the answers submitted by MDE were fully responsive and that, in light of information to the contrary, all Type A and Type B federal programs (as defined by Uniform Guidance) would be considered “high risk” and would require additional audit procedures for fiscal year 2016. This correspondence is listed as Attachment E.

OSA was contacted by individuals from the State and Local Advisory and Assistance Services at the Office of the Inspector General and individuals from the U. S. Department of Education Office of the Inspector General in regards to the misappropriated costs from Title 1 grants. A conference call was held with personnel from OSA and personnel from the OIG to discuss what actions had been taken by MDE to address the error and what actions might be taken by the USDE. On this call Rich Rasa, Director of the State and Local Advisory and Assistance Services at the OIG, informed OSA that a representative from MDE had contacted Mr. Rasa and requested guidance on how to handle the misappropriation/disallowed/questioned costs that were inappropriately paid from the Title 1 grant funds to reimburse 21st Century expenses. Mr. Rasa advised that MDE use Cooperative Audit Resolution and Oversight Initiative (CAROI) guidance. CAROI suggests that an “Audit Resolution Team” comprised of individuals from the Program, Fiscal, and Legal divisions at MDE meet to consider what exactly occurred, how it occurred, what controls were bypassed to allow it to occur, and what controls should be implemented to ensure compliance in the future. Mr. Rasa also encouraged MDE to procure a forensic audit from an independent auditor to evaluate the Department and to provide feedback on the same questions the Audit Resolution Team was evaluating. During the call with the OIG and OSA, the main question that remained unanswered was how pervasive the misappropriation of funds was and how long had it occurred.

On November 29, 2016, OSA advised Washington Cole, IV, Deputy State Superintendent, that it had spoken to representatives from the OIG and that MDE had still not responded to the initial inquiries made regarding the misappropriation and comingling of Title 1 funds. OSA also inquired of MDE what steps from CAROI guidance had been implemented and if MDE had taken any of the steps Mr. Rasa mentioned to them. OSA again requested information from MDE – specifically a detailed list of corrective actions that had been taken to address the misappropriation; recommendations that any USDE or OIG representative had made or that MDE had implemented regarding the misappropriation; an updated estimate of the misappropriation, an exact listing of the payments that comprised the misappropriation; and a planned method of repayment for the misappropriated funds. This correspondence is listed as Attachment F.

MDE responded to OSA’s request on December 14, 2016 indicating that MDE had formulated a corrective action plan and that further action would be taken after MDE received the results of the Single Audit performed on contract by CliftonLarsonAllen. Additionally, MDE provided a listing of the payments that comprised the misappropriation in the updated amount of \$7,543,662.90. MDE also informed OSA that no plan had been formed to fulfill the existing obligations of Title 1 due to the misappropriation, but that management was continuing to evaluate options. This correspondence is listed as Attachment G. MDE also informed OSA that it was beginning the process of securing a forensic audit.

On February 9, 2017, Auditor Pickering informed Dr. Carey Wright that OSA would be performing a forensic review of the payments made from the 21st Century and Title 1 grants for fiscal year 2016 pursuant to concerns raised by the OIG. MDE was informed that the work would begin in approximately March of 2017 and that the scope of the project would be re-evaluated as procedures deemed necessary. This correspondence is included as Attachment H.

During the period from December 2016 to February 2017, MDE separately procured a contract with the Maryland based accounting firm CliftonLarsenAllen (CLA) to conduct a forensic audit of the controls that failed and were circumvented to allow the misappropriation to take place. Conversations between MDE, CLA and OSA clarified that the scope of the two projects (OSA's forensic review and CLA's forensic review) were similar only in that the same data would be examined. OSA's primary objective was to determine the pervasiveness of the error and to determine an accurate accounting of the misappropriated funds while CLA's primary objective was to determine what controls were circumvented and how these errors could be fixed.

CLA was also engaged by MDE to perform requested financial and federal audit work for the CAFR and Single Audit for fiscal year 2016. CLA issued their independent audit report on the financial and federal statements on April 21, 2017 (Attachment I). Finding 2016-035, classified as a Material Weakness, states "Management overrode internal controls and procedures and charged unallowed costs to the Title 1 Program." The finding details the circumvention of controls that resulted in the misappropriation of Title 1 funds. MDE staff acknowledged the finding and stated in the corrective action plan that steps were being implemented to prevent reoccurrence. The report also contains finding 2016-038 "Internal Controls over posting federal program costs to the general ledger should be strengthened." The finding refers to approximately \$7.6 million in questioned costs related to the misappropriation of Title 1 Funds to 21st Century. Again, MDE acknowledged the finding and stated that steps were being implemented to correct the lack of controls.

Representatives from OSA, MDE and OIG convened on May 4, 2017 to participate in an Entrance Conference for the limited forensic review of the Title 1 and 21st Century grant programs. MDE was presented with an Engagement letter detailing the scope of the audit work (Attachment J). OSA commenced work on the forensic review on May 5, 2017.



MISSISSIPPI DEPARTMENT OF EDUCATION

Ensuring a bright future for every child

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

Office of Communications & Legislative Support

Patrice Guilfoyle, APR, Director of Communications *601-359-3706 *FAX: 601-359-3033

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NEWS RELEASE

For Immediate Release: August 11, 2016

Federal 21st Century Grants Impacted by Deficit

JACKSON, Miss. – The Mississippi Department of Education (MDE) announced today that due to the over commitment of federal funds for 21st Century Community Learning Centers (CCLC) in 2015-16, the MDE will not issue new grants for the 2016-17 school year and may have to curtail or discontinue grants to continuing grantees.

The MDE is facing a deficit up to \$19 million in 21st Century grant funds as a result of a shortfall for the 2015-16 school year.

The 21st Century grants provide federal funding for the establishment of community learning centers that provide academic, artistic and cultural enrichment opportunities for students, particularly those who attend high-poverty, low-performing schools. Typically, these programs are offered after school.

Statewide, 110 after-school programs received 21st Century grants in 2015-16. The multiyear grants are renewable for up to five years, pending available funds, though matching funds are required by the grantee in years three, four and five as the percentage of federal funds is reduced. Some programs receive more than one grant. Mississippi was awarded \$14.1 million for 21st Century programs for the 2015-16 school year.

The error occurred when MDE's Office of Federal Programs (OFP) issued 46 new grants in 2015-16 without budgeting for 65 grantees that were continuing from the previous year. OFP issued reimbursements from 21st Century and Title I funds to both new and continuing grantees, which created the deficit. While funds were taken from both 21st Century and Title I accounting sources, the MDE anticipates no impact on Title I disbursements to districts.

The MDE is working with the U.S. Department of Education (USED) to develop a comprehensive plan to fill the deficit while attempting to minimize the impact to grantees. Details of the plan will be released once they are finalized.

"We are working rapidly and seriously to take steps that will minimize impact to grantees, to ensure accountability for individuals who ignored financial checks and balances, and to put



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systems in place to ensure accurate future budgeting,” said Dr. Carey Wright, state superintendent of education.

“My highest priority is to ensure we serve schools, families and taxpayers with integrity,” Wright said, noting that individuals responsible for the error had been terminated.

Districts and organizations that received 21st Century grants in 2015-16 are not authorized to commit 21st Century grant funds for the 2016-17 school year until further notice.

“The MDE takes seriously the trust and accountability expected of a state agency that serves the children and families of Mississippi,” Wright said. “The MDE realizes that school districts and community programs across the state depend on 21st Century grants to provide after-school programming and regrets the position in which grantees have been placed.”

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

August 30, 2016

Todd Ivey, Deputy State Superintendent for Operations
Mississippi Department of Education
P.O. Box 771
Jackson, MS 39205

Dear Mr. Ivey:

The Office of the State Auditor (OSA) has been made aware of possible miscalculations and errors made in the federal allocation and expenditures of the 21st Century grants and Title I funds for fiscal year ending June 30, 2016.

It is our understanding that the Mississippi Department of Education (MDE) has been in communication with the U.S. Department of Education (USED) to develop corrective actions. As these programs are funded by federal dollars and the programs could now be considered "high risk" for purposes of the Single Audit of the State of Mississippi, OSA is requesting that additional information be provided to us regarding these errors.

Please provide the following information to OSA by September 23, 2016:

- Copies of correspondence between the USED and MDE regarding these errors or any other questioned costs that resulted from these errors;
- Detailed description of the budgets, allocations, and expenditures involved in these errors;
- Underlying cause of these errors, including any corrective action that has occurred to date to remedy these errors; and
- Any future corrective actions associated with these errors.

Please note that this correspondence and its results will be shared with the contracted CPA firm chosen by MDE to complete the financial and federal audit of fiscal year 2016.

Additionally, based on the information provided OSA will need to re-evaluate the risk assessment of *CFDA # 84.287 – Twenty-First Century Community Learning Centers* based on the information provided for possible inclusion in the Single Audit of the State of Mississippi for Fiscal Year 2016.

Sincerely,

A handwritten signature in black ink, reading "Stephanie Palmertree". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Stephanie Palmertree, CPA, CGMA
Director of Financial and Compliance Audit

cc: Sonya Amis, Deputy State Superintendent
Brad Feaster, Director of Internal Audit
Donna Parmegiani, Director of Agency Audit



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NEWS RELEASE

For Immediate Release: September 16, 2016

Federal 21st Century Grants to Be Awarded to Eligible Programs

JACKSON, Miss. – The Mississippi Department of Education (MDE) announced today that approximately \$5.6 million in federal funds for 21st Century Community Learning Centers (CCLC) will be distributed to eligible districts and organizations for the 2016-17 school year.

Grants will be awarded to eligible programs in their fourth or fifth year of operation that meet sustainability requirements for matching funds. Programs that received 21st Century grants for the first time in 2014-15 and 2015-16 will not be awarded grants for 2016-17 because those grants were awarded in error.

The 21st Century grants provide federal funding for the establishment of community learning centers that provide academic, artistic and cultural enrichment opportunities for students, particularly those who attend high-poverty, low-performing schools. Typically, these programs are offered after school.

The U.S. Department of Education granted Mississippi \$14.6 million in 21st Century funds for 2016-17. Due to the over commitment of funds for 21st Century programs in 2015-16, approximately \$9 million of this award will be used to reimburse districts and community organizations for costs incurred at the end of 2015-16.

“After receiving guidance from the U.S. Department of Education, we decided to scale back programming in 2016-17 while we re-evaluated how 21st Century grants are awarded and monitored,” said Dr. Carey Wright, state superintendent of education. “We regret the impact that reducing services will have on children and families. We plan to open the competition for new and continuing grants in 2017-18 with a far more rigorous screening and evaluation process. The MDE takes seriously our role in ensuring that children and families receive high-quality educational services.”

Districts and organizations with 21st Century programs that are in the fourth or fifth year of their funding cycle will receive full funding, provided they meet all eligibility requirements.



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Jean Cook, APR, Communications Specialist *601-359-3519

“We are able to continue funding the original two cohorts of 21st Century programs because we discontinued the over-committed grant awards,” Wright said.

In August, the MDE announced it was facing a deficit up to \$19 million in the 21st Century grant program because more grants were awarded than available funds. The deficit has been reduced to \$7.6 million after reconciling 21st Century funds between 2015-16 and 2016-17 and because reimbursement requests from 2015-16 were less than anticipated.

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September 21, 2016

Ms. Stephanie Palmertree
Director of Financial and Compliance Audit
Mississippi Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Dear Ms. Palmertree:

In response to your letter dated August 30, 2016, we have compiled the information that you requested. Enclosed are press releases issued on August 11, 2016 and September 16, 2016 that document the issue and the cause of the issue.

The MDE notified the USED of the errors immediately upon being informed by staff in Federal Programs. Since that time, the MDE and USED have held several conference calls to discuss the issues and how to resolve them. To date, the MDE has not received any communication from the USED in writing.

Three Federal Programs Office employees who were involved in the over-allocation of 21st Century funds and the reimbursement of 21st Century requests using Title I funds have been terminated. We are currently working on a corrective action plan to address the issues.

Please let me know if you require additional information.

Sincerely,



Todd Ivey
Chief Operations Officer

Enclosures

c: Dr. Carey M. Wright
Dr. Kim S. Benton
Sonya M. Amis
Brad Feaster



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

October 5, 2016

Dr. Carey Wright, Ph.D., Superintendent
Mississippi Department of Education
P. O. Box 771
Jackson, MS 39205

Dear Dr. Wright:

On August 30, 2016 we sent a letter requesting certain information from Deputy State Superintendent of Education Todd Ivey. We had been made aware of possible miscalculations and errors made in the federal allocation and expenditures of 21st Century grants and Title I funds for the fiscal year ending June 30, 2016. The purpose of this letter to Ivey was to obtain additional information about these issues. As group auditor for the State of Mississippi, we are required by standards to ascertain the risk of federal programs so that our work, and the work of our partner CPA firms, can be planned accordingly.

Our letter requested information about MDE communications with the U.S. Department of Education, detailed descriptions of the errors that have occurred, the underlying causes of these errors and any corrective action that has been taken regarding these errors. *In response to this request, we received a very general response and a copy of a press release. We do not feel this is fully responsive to our request.*

In light of this, the OSA staff and myself are now required to consider all federal programs at MDE to be high risk programs. This will require a modification of the contract you will enter with your CPA auditor, and will likely drive up the audit cost substantially.

Serving Mississippi Together,

Stacey E. Pickering
State Auditor

cc: Mrs. Rosemary G. Aultman, Board Chair
Dr. Jason S. Dean, Board Vice-Chair
Mr. Buddy Bailey, Board Member
Mrs. Kami Bumgarner, Board Member

Dr. Karen Elam, Board Member
Mr. Johnny Franklin, Board Member
Mr. William Harold Jones, Board Member
Dr. John R. Kelly, Board Member
Mr. Charles McClelland, Board Member



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

November 29, 2016

Washington Cole, IV
Deputy State Superintendent
Mississippi Department of Education
P.O. Box 771
Jackson, MS 39205

Mr. Cole:

In his letter to Dr. Carey Wright and the State Board of Education dated October 5, 2016, Auditor Stacey Pickering informed the Board that the Office of the State Auditor (OSA) did not consider the Mississippi Department of Education's (MDE) response (a copy of press releases) to our inquiry re: 21st Century payment errors to be sufficient.

We previously informed MDE staff that due to reconsideration of the initial risk assessment performed by our office because of MDE's comingling of multiple federal funding programs, four additional programs were selected for federal compliance audits for fiscal year 2016. In addition, we have spoken with the U.S. Department of Education and Office of the Inspector General (OIG), and were advised of recommended corrective actions that MDE should have undertaken.

Specifically, the Director of the State and Local Advisory and Assistance Services at the Office of the Inspector General, Rich Rasa, upon becoming aware of the comingling incident, advised MDE to either contact OSA or procure an independent CPA firm to perform a forensic audit; and to assemble an internal "Audit Response Team" with members from the Program, Legal, Audit, and Fiscal divisions to determine what exactly occurred, how it occurred, and what controls need to be implemented to ensure that such comingling of funds is not repeated. ED OIG also informed MDE that it would be MDE's responsibility to repay the misappropriated funds from Title I.

Please note that the forensic audit referred to by Director Rasa is not the equivalent of the financial audit currently being performed by CliftonLarsonAllen.

OSA requests that MDE provide the State Auditor with a detailed update of any corrective actions that have been taken to address MDE's error. Specifically, include which, if any, recommendations made by the U.S. Department of Education OIG have been implemented, an updated estimate of the amount of the error, and a listing of the exact payments that constitute the

error. Additionally, OSA requests that MDE provide the State Auditor with the method for planned repayment of funds.

Please provide your response no later than December 14, 2016.

Sincerely,

A handwritten signature in black ink, reading "Stephanie Palmertree". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Stephanie Palmertree, CPA, CGMA
Director of Financial and Compliance Audit

cc: Rich Rasa, Director of U.S. Department of Education
Christopher Gamble, Acting Regional Inspector General, USDE OIG
Sonya Amis, Deputy State Superintendent, MDE
Brad Feaster, Director of Internal Audit, MDE
Donna Parmegiani, Director of Agency Audit, OSA



MISSISSIPPI DEPARTMENT OF EDUCATION

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

December 14, 2016

Ms. Stephanie Palmertree
Director of Financial and Compliance Audit
Mississippi Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

Dear Ms. Palmertree:

In response to your letter dated November 29, 2016, we have compiled the following responses that address each request made by the Office of the State Auditor.

Request 1: Any corrective actions that have been taken to address MDE's error.

Response:

- The MDE acknowledges weaknesses existed in internal controls and we are addressing them.
- An update on the implementation of our self-identified corrective actions that resulted from the assembly of an "Audit Response Team" can be found in Appendix A.
- Upon receipt of the results of the Single Audit being conducted by CliftonLarsonAllen, we will initiate corrective action on any areas of deficiency reported by the firm.
- The Office of Internal Audit, who reports to the State Board of Education, is conducting a review of internal controls related to the Title I, Part A program, to help identify areas of weakness and make recommendations to strengthen them.

Request 2: Specifically, include which, if any, recommendations made by the U.S. Department of Education OIG have been implemented.

Response:

- As of December 14, 2016, the MDE has not received any specific instructions from the U.S. Department of Education or the Office of the Inspector General.

Ms. Stephanie Palmertree
Page 2
December 14, 2016

- An internal "Audit Response Team" with members from the Program Evaluation, Legal, Internal Audit, and Fiscal divisions was named by the State Superintendent in August. The team has collaborated to determine the weaknesses and is developing a corrective action plan to address them.
- We are in the process of procuring a forensic audit.

Request 3: *An updated estimate of the amount of the error.*

Response: The Title I, Part A deficit is \$7,543,662.90.

Request 4: *A listing of the exact payments that constitute the error.*

Response: A listing of the payments resulting in the Title I, Part A deficit was run via the MAGIC system and can be found in Appendix B.

Request 5: *OSA requests that MDE provide the State Auditor with a method for planned repayment of funds.*

Response: MDE will continue to evaluate options for returning funds to fulfill existing Title I, Part A obligations.

Sincerely,



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

Enclosures

c: Todd Ivey
Washington Cole
Kim S. Benton, Ed.D.
Sonya M. Amis
Brad Feaster
Raina Lee, MS-AGO
Rich Rasa, OIG

Appendix A Update on Corrective Actions

Item	Corrective Action	Update
1	Ensure qualified staff are hired to fill vacant positions in the Federal Programs Office.	The Office of Federal Programs identified and terminated those employees responsible for the creation of the Title I, Part A deficit and have taken steps towards ensuring qualified staff are hired to fill vacant positions. A new Federal Programs Director and Finance Director were hired in November 2016, a 21st Century Coordinator was hired in October 2016, and two contract workers have been assigned to assist with the administration of the 21 st CCLC Program.
2	Ensure full staff awareness of the underlying funding requirements for all federally funded programs through intensive reviews of supporting federal legislation.	MDE has identified the need for staff training on federal programs rules and regulations and grants management training. Federal programs staff and 21 st CCLC grantees were trained October 13 th , 2016 on grants management and fiscal and programmatic requirements for the grants, conducted by Brustein and Manasevit, LLC. In addition, the following trainings will occur: <ul style="list-style-type: none"> • Brustein and Manasevit, LLC will conduct training in March 2017 on ESSA and Uniformed Grant Guidance. • The American Institutes of Research will provide training on rules and regulations for various federal programs beginning December 6, 2016 and continuing through spring of 2017. • GEARS, Inc. will provide programmatic technical assistance to the 21st CCLC and Federal Programs personnel focused on monitoring, RFP revision, program design, and development of the Statewide Evaluation Plan. This will begin January 2017 and will be on-going.
3	Review current fiscal policies and revise and strengthen internal controls to preclude recurrences of prohibited transfers of federal funds between federal grants.	MDE will contract with a consultant to conduct a major revision of fiscal policies and procedures to ensure best practices are adhered to in grants management, internal controls, and budgetary controls, including integration of all areas with MAGIC.
4	Review the state's accounting system MAGIC Grants Module to determine if controls are built in to preclude unilateral transfers of funds between federal programs and to accurately track and report grant budgets, receipts, expenditures, and available grant balances. If MAGIC is unable to meet current needs, consider alternative grant management systems that can provide equitable grant management software.	Cornerstone Consulting Group, Inc., will assist the MDE in assessing the current grants management system for all programs administered by the MDE and make recommendations to strengthen internal controls over recording, reconciling, and reporting grant and sub-grant activity. In addition, the consultant will review the existing system in place for receiving and recording state and federal grant awards, allocating grant awards to sub-grantees, issuing payments to sub-grantees, tracking sub-grant balances, and reconciling and reporting grant activity. The vendor will issue a report to MDE containing recommendations on the implementation of an automated grants management system by March 31, 2017. After consideration of these recommendations, MDE will begin the process of choosing and implementing a fully functioning automated grants management system and provide training to all relevant employees.



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

February 9, 2017

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

Dear Dr. Wright:

I am writing to advise you of additional audit procedures at the Mississippi Department of Education (MDE) that will be performed by the Office of the State Auditor (OSA).

As you are aware, this office has been in contact with personnel at MDE regarding errors and unallowable payments made by MDE's Federal Programs Division from April to July of 2016. These payments were made to grant recipients of the 21st Century Grant from federal monies restricted to the Title 1 grant program. As you are also aware, OSA has been in contact with the Office of the Inspector General and the U.S. Department of Education regarding these errors and unallowable payments.

Pursuant to concerns raised by the OIG, our office will be conducting a formal forensic audit of payments made from the 21st Century and Title 1 grants for fiscal year 2016. As these audits have been requested by the aforementioned federal agencies, we will communicate the results of our audit directly to them. If you have any additional questions about the purpose of this audit work, please feel free to contact either Rich Rasa directly or our office. You will not be charged audit fees for this work, as OSA is unable to bill for work performed for state agencies.

Our office will require complete and unfettered access to all agency records (including accounting, personnel, program specific, etc.) and MDE staff and personnel. We expect nothing less than your full cooperation with our audit staff as it is mandated by Mississippi law¹ and federal guidance^{2,3,4}. OSA audit staff will correspond directly with any personnel deemed necessary, and information will not be censored or filtered through Division directors or Attorney General representatives.

Our staff will submit requests for data and records to your office starting in early March 2017, and will begin fieldwork mid to late March 2017. We will re-evaluate the scope of this audit as procedures deem necessary, and results will be presented to the MS Board of Education directly.

¹ §7-7-215(2) MS Code of 1972, annotated.

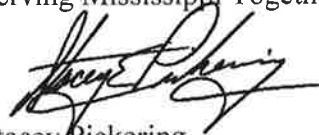
² Electronic Code of Federal Regulations §76.910. Cooperation with Audits. December 2016. (Authority: 5 U.S.C. appendix 3, sections 4(a)(1), 4(b)(1)(A), and 6(a)(1); 20 U.S.C. 1221e-3(a)(1), 1232f) [54 FR 21776, May 19, 1989] <http://www.ecfr.gov/cgi-bin/text-idx?SID=393301a7cdccca1ea71f18aae51824e7&node=34:1.1.1.1.23&rgn=div5#se34.1.76.1910>

³ Electronic Code of Federal Regulations §200.336. OMB Uniform Grant Guidance. December 2016.. <http://www.ecfr.gov/cgi-bin/text-idx?SID=0c3e488bae6a62796caa2a5a9d3d109e&mc=true&node=pt2.1.200&rgn=div5#se2.1.200.1336>

⁴ Every Student Succeeds Act §9204 Public Law 114-95. Accountability to Taxpayers Through Monitoring and Oversight. December 10, 2015. <https://www.congress.gov/114/plaws/publ95/PLAW-114publ95.pdf>

If you have additional questions about these procedures or the timeline presented, please feel free to contact my office.

Serving Mississippi Together,



Stacey Pickering
State Auditor

Cc: Rich Rasa, Director, State and Local Advisory and Assistance, OIG
Christopher Gamble, Acting Regional Inspector General, USDE OIG
Rosemary G. Aultman, Board Chair, MDE
Phil Maestri, Director of Risk Management Service, USDE
Christine Jackson, USDE
Sonya Amis, Director, Office of Educational Accountability, MDE
Washington Cole, Chief of Staff, Interim Chief of Operations, MDE

**FINANCIAL STATEMENTS OF SELECTED FUNDS
OF THE
STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION
June 30, 2016**

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INDEPENDENT AUDITORS' REPORT

Carey M. Wright, Ed.D.
State Superintendent of Education
Mississippi Department of Education
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the selected funds 5320100000 and 442300000 of the Mississippi Department of Education (MDE), as of and for the year ended June 30, 2016, and the related notes to the financial statements. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report (CAFR).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of funds 5320100000 and 4423000000 of MDE as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of funds 5320100000 and 4423000000 of MDE present only the financial position and changes in financial position of that portion of the governmental activities of the selected funds of MDE and the State of Mississippi that is attributable to the transactions of funds 5320100000 and 4423000000. They do not purport to, and do not, present fairly the financial position of MDE or the State of Mississippi as of June 30, 2016, or the changes in financial position of each entity for the year then ended on conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matter

Management has omitted the Management Discussion and Analysis and the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2017, on our consideration of MDE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDE's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
April 21, 2017

FINANCIAL STATEMENTS

**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION
SELECTED FUNDS
BALANCE SHEETS
June 30, 2016**

	Fund <u>5320100000</u>	Fund <u>4423000000</u>
Assets:		
Cash	\$ 200	\$ -
Equity in State Treasury Funds	-	103,782
Accounts Recievable	3,729	-
Due From Federal Government	32,375,506	-
Due From General Fund	7,543,663	-
Due From Other State Funds	-	19,889,313
	<hr/>	<hr/>
Total Assets	\$ 39,923,098	\$ 19,993,095
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Fund Balances:		
Equity in State Treasury Funds		
Overdraft	\$ 4,490,069	\$ -
Accounts payable	6,572,754	581,781
Warrants Payable	2,709,288	-
Due To Other Governments	21,998,311	-
Due to Federal Government	7,543,663	-
Due To Other State Funds	469,803	19,389,948
Unearned revenue	2,118,089	-
	<hr/>	<hr/>
Total Liabilities	45,901,977	19,971,729
	<hr/>	<hr/>
Fund Balances:		
Restricted	-	21,366
Unassigned	(5,978,879)	-
	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 39,923,098	\$ 19,993,095
	<hr/> <hr/>	<hr/> <hr/>

**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION
SELECTED FUNDS
STATEMENTS OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2016**

	Fund 5320100000	Fund 442300000
Revenues:		
Federal grant	\$ 686,047,441	\$ -
Other income	2,131,800	-
Total Revenues	688,179,241	-
Expenditures:		
Subsidies	649,212,413	-
Subsidies - Adequate Education Funds	-	212,272,083
Salaries and Benefits	7,561,385	-
Travel	757,151	-
Contractual Services	13,643,179	-
Commodities	18,958,402	-
Other	4,136,855	-
Total Expenditures	694,269,385	212,272,083
Deficiency of Revenues Under Expenditures:	(6,090,144)	(212,272,083)
Other Financing Sources (Uses):		
Transfers in	1,125,447	229,875,253
Transfers (out)	(2,725,256)	(178,142)
Total Financing Sources (Uses)	(1,599,809)	229,697,111
Total Expenditures and Financing Sources (Uses)	(7,689,953)	17,425,028
Net Change in Fund Balances	(7,689,953)	17,425,028
Fund Balances, Beginning of Year	1,711,074	(17,403,662)
Fund Balances, End of Year	\$ (5,978,879)	\$ 21,366

**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION
SELECTED FUNDS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background Information

Mississippi Department of Education (MDE) is a state department of the State of Mississippi. MDE provides resources and technical support to Mississippi's public school system. A nine-member board is appointed in accordance with Mississippi's constitution, which governs MDE. The Mississippi Board of Education is responsible for appointing the State Superintendent of Education, establishing public education policy and governing MDE.

MDE is the administrative arm of the Board and functions as a resource for federal education requirements and funding. MDE is responsible for implementing state and federal education laws, disbursing state and federal funds, holding schools and districts accountable for performance and licensing all educators.

Financial Reporting Entity

MDE is reported as a state agency in the State of Mississippi's Comprehensive Annual Financial Report. The selected governmental funds presented in these financial statements are part of the larger entity that in whole comprises the financial reporting entity of the Mississippi Department of Education. The selected funds are used to fund administrative and operating costs of federal and state educational programs for the 148 local school districts.

Basis of Presentation

The accompanying fund financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Cash and Cash Equivalents

Cash and cash equivalents are defined by MDE as demand deposit accounts and equity in State Treasury Funds. Equity in State Treasury Funds consists of pooled cash held by the Treasurer of the State of Mississippi.

Accounts Receivable

Accounts receivable consist of amounts due from the Federal or State government in which the revenue was earned but not received by June 30, 2016. Accounts receivable is reported net of allowances for uncollectible accounts, where applicable. No allowance for uncollectible accounts was recorded at June 30, 2016.

Account Classifications

The account classifications used in the financial statements conform to the board classifications recommended in *Governmental Accounting, Auditing and Financial Reporting*, as issued by the Government Finance Officers Association.

**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION
SELECTED FUNDS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2016**

Fund Accounting

The financial activities of the funds audited are recorded in individual funds and account groups used to report financial position and changes in financial position. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Basis of Accounting/Measurement Focus

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are considered to be available when they are both measurable and available to finance expenditures of the current period. Management considers revenue to be available if collected within 60 days. Expenditures are recorded when a liability is incurred, except for accumulated sick and vacation pay which are recorded when paid.

Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires MDE to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and other changes in fund balances during the period. Actual results could differ from those estimates.

Revenue Recognition

Grant revenue is recognized when the related and allowable liability is paid. Other revenues in the funds are generally recognized when the revenue is received or appropriated by the State of Mississippi Legislature.

Unearned Revenue

Unearned revenue represents grant revenue received prior to all eligibility requirements being met. Unearned revenue is reported as a liability until the eligibility requirements are met.

Interfund transfers

In the selected governmental funds financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures of the disbursing fund. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing funds and as a reduction of expenditures in the reimbursed fund.

**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION
SELECTED FUNDS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2016**

As of June 30, 2016, Fund transfers consisted of:

Fund 5320100000

Description	Transfers In	Transfers Out
Indirect Costs	\$ 1,125,447	-
Allocate indirect costs to federal grants	-	\$ 1,125,447
Other Government -		
Child Nutrition Funds to Other State Agencies	-	671,628
Other Funds-		
School for the Blind, School for the Deaf and Art School	-	821,649
2015 GAAP Accrual Entries	-	78,208
Nonbudgeted subgrantee payment-		
IDEA and Title Programs subgrantee Programs	-	28,324
Total	<u>\$ 1,125,447</u>	<u>\$ 2,725,256</u>

Fund 4423000000

Description	Transfers In	Transfers Out
Mississippi Adequate Education Program (MAEP)	\$ 229,875,253	-
Transfer excess FY 15 program revenue	-	\$ 178,143
Total	<u>\$ 229,875,253</u>	<u>\$ 178,143</u>

Fund Balances – Governmental Funds

MDE presents defined fund balance categories to demonstrate the nature and extent of the constraint placed on the selected funds' fund balances. The classifications used in the selected governmental funds financial statements are based on the following methodology:

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications. The unassigned classification is also used to report a deficit balance resulting from overspending for specific purposes for which amount had been restricted, committed or assigned.

Nonspendable – This classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – This classification includes amounts that may only be spent for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – This classification includes amounts that can be used only for the specific purposes determined by enabling legislations by the State legislature.

**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION
SELECTED FUNDS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2016**

MDE considers restricted amounts to have been spent when the expenditure is incurred for purposes determined for which both restricted and unrestricted fund balances are available.

NOTE 2 – Cash and Other Deposits

Custodial risk is the risk that in the event of bank failure, a government's deposits may not be returned. MDEs' deposit policy for protection of custodial risk is handled under a statewide collateral program. The collateral for public entities' deposits in financial institutions is held by the depository bank in the name of the State Treasurer under a program established by the State of Mississippi Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

NOTE 3 –Due From and Due To Other Governments

At June 30, 2016, due from and due to other governments balances consisted of:

Due from other state funds for fund 4423000000, the amount of \$19,889,313, represents the annual transfer from MDE's Mississippi Adequate Education Program (MAEP) to support administrative and operating costs of the local school districts.

<u>Fund 5320100000</u>	<u>Due From</u>
U.S. Department of Education	\$ 21,658,077
U.S. Department of Agriculture	10,628,190
U.S. Department of Health and Human Services	89,239
Total	<u><u>\$ 32,375,506</u></u>

All amounts due to MDE are expected to be collected in fiscal year 2017.

Due to other governments for fund 4423000000, in the amount of \$19,389,948, represents reimbursement requests from the local school districts.

**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION
SELECTED FUNDS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2016**

<u>Fund 5320100000</u>	<u>Due To</u>
Due to Federal Government - see note 4	<u>\$ 7,543,663</u>
Due to Other Governments	<u>\$ 21,998,311</u>
Due to Other State Funds	<u>\$ 469,803</u>

Amounts due to other governments and other state funds represent reimbursement requests of federal program costs paid by the school's districts and state agencies.

NOTE 4 – Contingency and Commitments

Federal Grants

MDE receives federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreement and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance of program uses of funds may be a liability of MDE's.

MDE charged 21st Century Community Learning (21st Century) program costs to the Title I, Part A (Title I) program for three months beginning April 2016 to June 2016. As a result, unallowed Title I program costs in the amount of \$7,543,663 were drawn from the U.S. Department of Education. MDE is required to reimburse the Title I program using MDE's general funds.

Litigation

MDE is party to various legal proceedings that arise in the normal course of governmental operations. If an unfavorable outcome of the litigation is determined to be likely and probable, MDE will record a liability to reflect the estimated outcome of the litigation.

NOTE 5 – Subsequent Events

In conjunction with Note 4 – Contingency and Commitments, MDE charged \$3,952,146 to the Title I program for 21st Century program costs in July 2016. MDE repaid the \$3,952,146 to the Title I program during the fiscal year.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Carey M. Wright, Ed.D.
State Superintendent of Education and
Mississippi Board of Education
Jackson, Mississippi

We have audited, in accordance with the 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 financial statements of funds 5320100000 and 442300000 of the Mississippi Department of Education (MDE), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 21, 2017, which was unmodified for the selected funds. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report (CAFR).

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MDE'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDE's internal control. Accordingly, we do not express an opinion on the effectiveness of MDE'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 MDE'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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-035, 2016-036, 2016-037 and 2016-045 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDE's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2016-035.

MDE's Response to Findings

MDE's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. MDE's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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 MDE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
April 21, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

INTERNAL CONTROL OVER FINANCIAL REPORTING – FUND 5320100000

Material Weakness

2016-035 Management overrode internal controls and procedures and charged unallowed costs to the Title I program.

CFDA Number N/A
Federal Award N/A
Federal Agency N/A
Pass-through Entity N/A
Questioned Costs N/A

Criteria Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. MDE must establish and maintain effective internal control over financial reporting to provide reasonable assurance that financial reports are accurate and supported.

Condition The former Director of Fiscal Management in the Office of Federal Programs (OFP) instructed the school payment supervisor in the Office of Accounting to override procedures and record 21st Century Community Learning Center (21st Century program) expenditures to the Title I, Part A funds (Title I).

As required by MDE's procedures, the Office of Accounting notified the former Director of Fiscal Management that the 21st Century grant did not have available funds to process subrecipients' reimbursement requests. The former Director of Fiscal Management sent an email to the Office of Accounting and instructed the staff to charge the expenditures to the Title I program; which were subsequently drawn from the U.S. Department of Education (USDE) as Title I program costs. The Director of the Office of Accounting and the former Executive Director of the OFP received the email from the former Director of Fiscal Management instructing the Office of Accounting staff to charge the costs to Title I. The Chief Operations Officer was not notified of the 21st Century shortage of available funds or the decision to charge the Title I program for 21st Century expenditures. As a result of the misused funds, MDE terminated the OFP Director of Fiscal Management, the Executive Director of the Office of Federal Programs, and the 21st Century Program Coordinator.

MDE charged 21st Century program expenditures to the Title I program for three months beginning April 2016 to June 2016. MDE contacted USDE immediately upon identification that the unallowed process had occurred, and is currently in communication with the grantor regarding resolution and any other grantor requirements in response to the misused funds. MDE drew approximately, \$7.6 million from USDE for the unallowed Title I costs, which will be repaid using MDE's general fund.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

Cause	The former Director of Fiscal Management in OFP overrode MDE's accounting procedures in order to cover a shortfall of available funds for the 21 st Century program. MDE's procedures and internal controls were inadequate to prevent and/or detect the override; as timely reconciliation of 21 st Century and Title I's expenditures, cash receipts and available funding may have disclosed the override in a timely manner.
Effect	<p>As a result, MDE misused approximately, \$3.9 million of Title I program funds in July 2016 (subsequent fiscal year). The funds were repaid during FY 17 by transferring 21st Century funds to the Title I program.</p> <p>MDE charged unallowed program expenditures to the Title I and incorrectly drew the funds from USDE. Current procedures did not prevent or detect the misuse of federal funds in a timely manner. MDE is required to reimburse the Title I program using general funds.</p>
Recommendation	<p>MDE should review and enhance current procedures to avoid a reoccurrence. The procedural updates should (at a minimum) provide a protocol for the Office of Accounting in regards to making changes to approved payment requests (MAGIC internal order, payee, dollar amount, etc.). If a change is requested, the Office of Accounting should not process the request until a changes have been approved by the designated parties. The Department should make the proper changes, obtain approvals and resubmit to the Office of Accounting. If the Office of Accounting is unable to process the request due to unavailable program funds, the resubmitted request should be (at a minimum) reviewed and approved by the Director of the Office of Accounting, the Chief Operations Officer, the Program Chief and the applicable program Executive Director.</p> <p>MDE should require federally supported programs to reconcile expenditures, cash receipt and available funds on a monthly basis (no later than quarterly) to identify errors and potential financial concerns in a timely manner. Evidence of the review and conclusions reached should be documented and readily available.</p>
Repeat Finding	No
Statistically Valid	N/A
Views of responsible officials	See additional comments in the Corrective Action Plan in this audit report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

INTERNAL CONTROL OVER FINANCIAL REPORTING – FUND 5320100000

Material Weakness

2016-036

The Office of Accounting internal controls and procedures over review and reconciling MDE's general ledger account did not detect materially misstated account balances.

CFDA Number N/A
Federal Award N/A
Federal Agency N/A
Pass-through Entity N/A
Questioned Costs N/A

Criteria Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. MDE must establish and maintain effective internal control over financial reporting to provide reasonable assurance that financial reports are accurate and supported.

Condition The GAAP package for fund 5320100000 prepared by the Office of Accounting and submitted to the Department of Finance and Administration (DFA) was materially misstated; which has not detected by the Office of Accounting. The year-end account balance for cash, due from federal government, accounts payable, and due to other state governments were materially misstated.

The Office of Accounting prepared the GAAP package based on financial information reported in the statewide general ledger (Mississippi Accountability System for Government Information and Collaboration (MAGIC)). However, the account detail contained material errors such as cleared due from federal government and accounts payable transactions, double counted expenditures and incorrect cash balances. The Office of Accounting did not notify DFA or the auditors of the errors. Furthermore, MDE's review, approval and maintenance of documentation for year-end accruals posted by DFA were not evident and/or readily available.

Cause The Office of Accounting does not have procedures for reviewing and reconciling the Department's general ledger and account detail for the selected funds throughout the year or at year-end.

Effect The account balance for grants receivable (due from federal government) was overstated by \$35,278,955, which was received and processed by the State Treasurer and DFA in March 2016. The cash receipt was posted to the incorrect fund; therefore, fund 5320100000 receivable and cash account balances were incorrect.

The accounts payable balance was overstated by \$1,674,754 due to outstanding vendor payments that were cleared prior to June 30, 2016 but were not removed from the account detail.

The account balance for due to other government was overstated by

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

\$36,828,134 because the year-end accrual for FY 2015 was not reversed at the beginning of FY 2016. Therefore, the related fund expenditures for FY 2015 were included in the FY 2016 expenditure total.

Recommendation	MDE should develop and implement procedures for reviewing the general account balance detail for each fund. All transactions recorded by DFA should be reviewed, supported and agreed to by MDE. MDE should notify DFA of errors within the account detail. While DFA is responsible for posting year-end accruals and entity-wide journal entries for statewide reporting purposes, MDE's (and all state departments) general ledger account balances are the Department's responsibility.
Repeat Finding	No
Statistically Valid	N/A
Views of responsible officials	See additional comments in the Corrective Action Plan in this audit report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

INTERNAL CONTROL OVER FINANCIAL REPORTING – FUND 5320100000

Material Weakness

2016-037 Procedures over accounting for grants should be strengthened in order to accurately present grant activity and the related grants receivable and unearned revenue account balances.

CFDA Number N/A
Federal Award N/A
Federal Agency N/A
Pass-through Entity N/A
Questioned Costs N/A

Criteria Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. MDE must establish and maintain effective internal control over financial reporting to provide reasonable assurance that financial reports are accurate and supported.

Condition The account balance detail for grants receivable (due from federal government) and unearned revenue was not supported by the activity of individual grant. The Office of Accounting maintains the grant schedule which is used to assist the Office of Accounting with determining the year-end grants receivable and related unearned revenue account balance. We selected grants receivable and unearned revenue transactions for testing and noted that the transactions may not reflect the year-end activity of the individual grant, but rather the activity of several grants within the specific federal program (Title I, Special Education Cluster, etc. Child Nutrition Cluster) or grants closed in prior years. The schedule is maintained based on grant activity in MAGIC.

For GAAP package reporting purposes, grants with excess cash receipts over expenditures were identified as unearned and grants with excess expenditures over cash receipts was identified as a receivable, which resulted in materially misstated grants receivable and unearned revenue account balances. In order to determine the grants receivable and unearned revenue balance, the total grant activity at the program level was used.

Grants receivable and unearned revenue should be calculated at the individual grant award level order to accurately determine the grants receivable and unearned grant revenue balances at year-end.

Cause DFA instructed MDE to report the grant activity separately for each grant. MDE did not update the grant schedule accordingly; therefore, the GAAP package presentation did not reflect the accurate account balance for due from federal government and unearned revenue.

Effect The accounts receivable and unearned revenue account balances were overstated by \$25,989,203.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

Recommendation We recommend that MDE continue to report new and future grant activity by each grant, and retroactively update grant activity in order to accurately reflect the grants in MAGIC. Also, until DFA accurately reflects the individual grant activity in MAGIC, a grant schedule should accurately reflect the grant activity of each grant and be reconciled to MAGIC. This will provide support for the year-end adjustment and reporting of the grants receivable and unearned revenue account balance.

Repeat Finding No

Statistically Valid N/A

Views of responsible officials See additional comments in the Corrective Action Plan in this audit report.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

INTERNAL CONTROL OVER FINANCIAL REPORTING – FUND 5320100000 and 4423000000

Material Weakness

2016-045 MDE was not adequately prepared for the financial audit which resulted in untimely delays in the issuance of the financial statements of funds 532010000 and 4423000000.

CFDA Number N/A
Federal Award N/A
Federal Agency N/A
Pass-through Entity N/A
Questioned Costs N/A

Criteria Section 27-104-4, Miss. Code Ann. (1972) requires each state agency to prepare annual financial statements at such times as determined by the State Fiscal Officer. The State Fiscal Officer is required to combine the financial statements into a comprehensive annual financial report (CAFR) and provide it to the State Auditor for post-auditing. The law further requires the CAFR be published within six months after the June 30 close of the fiscal year.

Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. MDE must establish and maintain effective internal control over financial reporting to provide reasonable assurance that financial reports are accurate and supported.

Condition The Office of Accounting was not prepared for the audit on the agreed upon date between the external auditors and MDE. The original issuance date of the fund financial statements was December 31, 2016. MDE did not meet this deadline.

In addition, the Office of Accounting was responsible for delays during the audit process. As a result, the financial statements were not issued until March 2017.

Cause The Director of the Office of Accounting was the designated audit liaison for the Office of Accounting and did not delegate the responsibility to a staff who could dedicate more time and resources to assisting the auditors. Also, due to the Office of Accounting's lack of review and reconciliation of MAGIC account balances, responses to auditor inquiries were not readily available.

The first day of fieldwork was October 17, 2016. The final trial balance for fund 5320100000 was provided October 27, 2016. Based on our review of the trial balance and account detail we provided the Office of Accounting a documentation request list. On November 16, 2016, the Director of Accounting received a detailed list of all outstanding items. Follow up requests were performed on November 28, 2016 and December 12, 2016. Receipt of documentation was delayed until January 3, 2017. MDE's response to the auditor's follow up questions and requests was prolonged as well.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

Additionally, inadequate responses to the auditor inquiries caused additional delays.

Effect

The financial audits for funds 5320100000 and 4423000000 were not completed by intended deadline, which affected the completion of the State's CAFR.

Recommendation

We recommend MDE review its policies and procedures over the timing of the year end close out process. Part of these procedures should include the preparation of documentation needed to complete the audit of the financial statements such as account reconciliations, variance fluctuation explanations, etc. We also recommend that MDE identify a member in Executive Leadership that would be responsible for overseeing the Office of Accounting regarding the office's preparation and response to audit inquiries to ensure that MDE met the deadline for filing annual financial statements.

Repeat Finding

No

Statistically Valid

N/A

Views of responsible officials

See additional comments in the Corrective Action Plan in this audit report.

CORRECTIVE ACTION PLANS



MISSISSIPPI DEPARTMENT OF EDUCATION

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

March 28, 2017

Financial Statement Findings

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

In accordance with your correspondence dated March 20, 2017, the Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the financial audit findings for the fiscal year ending June 30, 2016.

AUDIT FINDINGS:

Internal Control over Financial Reporting

GAAP Package – Fund 5320100000

2016-035 Management overrode internal controls and procedures and charged unallowed costs to the Title I program.

Response: The MDE acknowledges that unallowed costs were charged to the Title I program, and steps are being implemented to prevent this from reoccurring.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation.
Upon discovery, the MDE immediately required that any recoding or adjustments for payments be approved by members of the Executive Leadership Team before payments were finalized. In addition, MDE initialized a comprehensive review of current processes and procedures to ensure that this would not reoccur. The

procedures are being documented and will include approval levels up to and including the Chief of the respective bureau and the Chief Operations Officer. Currently, a form is being drafted to document the approvals at all levels to ensure that no adjustments or recoding occurs without final approval from the respective Chiefs. In addition, the agency has contracted with an outside Consultant to provide consultation services to revise and align MDE Policies and Procedures with the Mississippi Accountability System for Government Information and Collaboration (MAGIC). To ensure that the agency has a person on staff dedicated specifically to monitoring compliance, the Chief Operations Officer will be realigning the Operations department and designating someone on staff as a Compliance Manager.

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

Felicia Gavin, Ph.D. – Chief Operations Officer

C. Anticipated completion date for corrective action.

June 30, 2017

Internal Control over Financial Reporting

GAAP Package – Fund 5320100000

2016-036 Internal controls and procedures over review and approval of adjustment posted by the Department of Finance and Administration (DFA) and the Mississippi Department of Education's (MDE) account activity and ending account balances should be implemented.

Response: The MDE does review and approve adjustments posted by DFA. These approvals are noted within the GAAP packages submitted to DFA annually. Accounts Payable balances do still exist in MAGIC, and DFA has now implemented a procedure as of March 2017 whereby they will begin removing cleared payments from the system so that they do not populate on the trial balance. DFA was aware of this situation and has now implemented a procedure to address this issue.

Corrective Action Plan:

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

The MDE will exercise due diligence in the future to ensure a thorough and comprehensive review of all general ledger account balance detail is performed. This will also include a thorough review of all DFA recorded transactions to ensure that they are properly supported and agreed to by MDE. MDE will utilize the process established by DFA in March of 2017 to have the paid invoices removed from the system. As part of strengthening procedures and raising the

level of accountability, the Chief Operations Officer will be restructuring the accounting department to include more oversight.

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

Felicia Gavin, Ph.D. – Chief Operations Officer

- C. Anticipated completion date for corrective action.
June 30, 2017

Internal Control over Financial Reporting

GAAP Package – Fund 5320100000

2016-037 Procedures over accounting for grants should be strengthen in order to accurately present grant activity and the related accounts receivable and unearned revenue account balances.

Response: During the 2016 GAAP preparation, DFA instructed agencies to start recording all grants using the grant numbers which was after the year end in June 2016. The MDE has since modified its processes to record all grants on an individual basis.

Corrective Action Plan:

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

The MDE will continue to report new and future grant activity by each grant. A thorough review and reconciliation process is being developed to update all grant activity in MAGIC to accurately reflect the individual grant's activity. The agency is developing a Grants Management team that will meet quarterly to review grant activity and issues. As part of strengthening procedures and raising the level of accountability, the Chief Operations Officer will be restructuring the accounting department to include more oversight.

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

Felicia Gavin, Ph.D. – Chief Operations Officer

- C. Anticipated completion date for corrective action.

June 30, 2017

Internal Control over Financial Reporting

GAAP Package – Fund 5320100000 and 4423000000

2016-045 MDE was not adequately prepared for the financial audit which resulted in untimely delays in the issuance of the financial statements of funds 532010000 and 4423000000.

Response: The MDE recognizes that there were challenges in receiving information in a timely manner. The agency is making changes in policies and procedures to ensure that auditors receive information and responses to requests in a timely manner. However, Executive Leadership over the respective area would like to be informed when information is not received in a timely manner. We will designate a contact person at the agency to ensure that the Executive Leadership is informed of any issues with timely receipt of information or of any other issues that arise during the audit.

Corrective Action Plan:

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

Procedures will be updated to ensure that account reconciliations and variance reports are completed. When preparing for audits, deadlines will be given to staff to provide requested documents. As part of strengthening procedures and raising the level of accountability, the Chief Operations Officer will be restructuring the accounting department to include more oversight. To ensure that the agency has a person on staff dedicated specifically to monitoring compliance, the Chief Operations Officer will be realigning the Operations department and designating someone on staff as a Compliance Manager.

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

Felicia Gavin, Ph.D. – Chief Operations Officer

C. Anticipated completion date for corrective action.

July 1, 2017

Sincerely,



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

**REPORTS ON FEDERAL PROGRAMS OF THE
MISSISSIPPI DEPARTMENT OF EDUCATION
SELECTED BY THE
OFFICE OF THE STATE AUDITOR
YEAR ENDED JUNE 30, 2016**

**FEDERAL PROGRAMS OF THE MISSISSIPPI DEPARTMENT OF EDUCATION
SELECTED BY THE OFFICE OF THE STATE AUDITOR
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INDEPENDENT AUDITORS' REPORT

Carey M. Wright, Ed.D.
State Superintendent of Education and
Mississippi State Board of Education
Jackson, Mississippi

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of Federal Awards for programs selected by the Office of the State Auditor for those programs of the Mississippi Department of Education (MDE), for the year ended June 30, 2016, and the notes (the financial statement).

Management's Responsibility for the Schedule of Expenditures of Federal Awards Programs Selected for Audit.

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Carey M. Wright, Ed.D.
State Superintendent of Education and
Mississippi State Board of Education

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards for the programs selected by the Office of the State Auditor of MDE for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
April 21, 2017



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAMS SELECTED BY THE OFFICE OF THE STATE
AUDITOR AND REPORT ON INTERNAL CONTROLOVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Carey M. Wright, Ed.D.
State Superintendent of Education and
Mississippi State Board of Education
Jackson, Mississippi

**Report on Compliance for Each Major Federal Program
Selected by the Office of the State Auditor**

We have audited Mississippi Department of Education's (MDE) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal program selected by the Office of the State Auditor for the year ended June 30, 2016. MDE's major federal programs, as selected by the Office of the State Auditor, are identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of MDE's major federal programs selected by the Office of the State Auditor 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 MDE's major federal programs selected by the Office of the State Auditor compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the MDE's major federal programs selected by the Office of the State Auditor. However, our audit does not provide a legal determination of MDE's major federal programs selected by the Office of the State Auditor compliance.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, MDE major federal programs selected by the Office of the State Auditor did not comply with requirements regarding CFDA 84.010 - Title I allowable costs and activities as described in 2016-038 and CFDA 84.287 - 21st Century Community Learning Centers subrecipient monitoring as described in 2016-042. Compliance with such requirements is necessary, in our opinion, for MDE to comply with the requirements applicable to the programs.

Qualified Opinion on Title I

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, MDE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.010 - Title I for the year ended June 30, 2016.

Qualified Opinion on 21st Century Community Learning Centers

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, MDE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.287 - 21st Century Community Learning Centers for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, MDE major federal programs selected by the Office of the State Auditor, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-039 and 2016-040. Our opinion on each major programs as selected by the Office of the State Auditor is not modified with respect to these matters.

MDE's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. MDE's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of the MDE 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 MDE's internal control over compliance with the types of requirements that could have a direct and material effect on the federal programs identified in Table 1 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the programs identified in Table 1 and to test and report on internal control over compliance in accordance with the 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 MDE's internal control over compliance.

Carey M. Wright, Ed.D.
State Superintendent of Education and
Mississippi State Board of Education

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 described in the accompanying schedule of findings and questioned costs as items 2016-038 and 2016-042 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-039, 2016-040 and 2016-041 to be significant deficiencies.

MDE's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. MDE's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
April 21, 2017

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FEDERAL PROGRAMS SELECTED BY THE OFFICE
OF THE STATE AUDITOR
YEAR ENDED JUNE 30, 2016**

Federal Grantor, Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Sub-Recipient Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
USDA: Non-Cash Commodities	10.555	\$ 18,920,425	\$ 18,920,425
National School Lunch Program	10.555	175,123,638	175,123,638
School Breakfast	10.553	63,700,548	63,482,043
Special Milk Program	10.556	2,437	2,437
Summer Food Service Program	10.559	8,234,466	8,234,466
Total Child Nutrition Cluster		<u>265,981,514</u>	
Child and Adult Care Food Program	10.558	44,373,432	44,373,432
Total U.S. Department of Agriculture		<u>310,354,946</u>	
U.S. Department of Education			
Title - I Grants to Local Educational Agencies	84.010	170,234,039	170,234,039
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	115,867,616	115,867,616
Special Education - Preschool Grants (IDEA Preschool)	84.173	4,088,553	4,088,553
Total Special Education Cluster		120,248,431	
Career and Technology Education	84.048	12,197,475	12,197,475
21st Century Community Learning	84.287	16,596,427	16,596,427
Improving Teacher Quality State Grants	84.367	31,942,352	31,942,352
Total U.S. Department of Education		<u>350,926,462</u>	
Total Federal Expenditures		<u>\$ 661,281,408</u>	

**MISSISSIPPI DEPARTMENT OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FEDERAL PROGRAMS SELECTED BY
THE OFFICE OF THE STATE AUDITOR
YEAR ENDED JUNE 30, 2016**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards for Federal Programs Selected by the Office of the State Auditor includes the federal grant activity for federal programs reported in the schedule. These programs were selected for audit by the Office of the State Auditor and do not represent all of the federal expenditures of MDE. The Schedule is presented on an accrual basis of accounting in accordance with *Generally Accepted Accounting Principles*.

The information in this Schedule is also presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Expenditures of selected federal award grant funds are made for the purposes specified by the grantor, and are subject to certain restrictions. Expenditures are also subject to audit by the relevant federal agency. In the opinion of management, disallowed costs, if any, from such audits will not have a material effect on this Schedule or the financial position of MDE.

NOTE 2 INDIRECT COST

MDE did not elect to use the 10% de minimis cost rate for indirect costs.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Federal Awards Section

	<u>Yes</u>	<u>None Reported</u>
Material weakness(es) identified?	X	
Significant deficiency(ies) identified not considered to be material weaknesses?	X	
Type of auditors' report on compliance for major programs:		See below
	<u>Yes</u>	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 510 (a)	X	

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
10.553, 10.555, 10.559	Child Nutrition Cluster	Unmodified
10.558	Child and Adult Food Program	Unmodified
84.010	Title I	Qualified
84.027, 84.0173	Special Education Cluster	Unmodified
84.048	Career and Technology	Unmodified
84.287	21 st Century Community Learning Centers	Qualified
84.367	Title II: Improving Teacher Quality	Unmodified

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

ALLOWABLE COSTS AND ACTIVITIES

Material Weakness

Material Noncompliance

2016-038	<u>Internal controls over posting federal program costs to the general ledger should be strengthened.</u>
CFDA Number	84.010 – Title I
Federal Award	ES010A150024
Federal Agency	U.S. Department of Education
Pass-through Entity	N/A
Questioned Costs	Approximately \$7.6 million
Criteria	<p>Control: 2 CFR 200 <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements</i> (the Uniform Guidance) requires non-Federal entities to establish and maintain effective internal controls over Federal awards so that they provide reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards per 2 CFR section 200.303(a).</p> <p>Compliance: 2 CFR 200 <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements</i> requires allowable costs to be necessary and reasonable for the performance of the Federal award and conform to any limitations or exclusions set forth in the cost principles or in the Federal award as to types or amount of cost items.</p>
Condition	<p>The former Director of Fiscal Management in the Office of Federal Programs (OFP) instructed the school payment supervisor in the Office of Accounting to override procedures and record 21st Century Community Learning Center (21st Century program) expenditures to the Title I, Part A funds (Title I).</p> <p>As required by MDE's procedures, the Office of Accounting notified the former Director of Fiscal Management that the 21st Century grant didn't have available funds to process subrecipients' reimbursement requests. The former Director of Fiscal Management sent an email to the Office of Accounting and instructed the staff to charge the expenditures to the Title I program, which were subsequently drawn from the U.S. Department of Education (USDE) as Title I program costs. The Director of the Office of Accounting and the former Executive Director of the OFP received the email from the former Director of</p>

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Fiscal Management instructing the Office of Accounting staff to charge the costs to Title I. The Chief Operations Officer was not notified of the 21st Century shortage of available funds or the decision to charge the Title I program for 21st Century expenditures. As a result of the misused funds, MDE terminated the OFP Director of Fiscal Management, the Executive Director of the Office of Federal Programs, and the 21st Century Program Coordinator.

MDE charged 21st Century program expenditures to the Title I program for three months beginning April 2016 to June 2016. MDE contacted USDE immediately upon identification that the unallowed process had occurred, and is currently in communication with the grantor regarding resolution and any other grantor requirements in response to the misused funds. MDE drew approximately, \$7.6 million from USDE for the unallowed Title I costs, which will be repaid using MDE's general fund.

Cause

The former Director of Fiscal Management in OFP overrode MDE's accounting procedures in order to cover a shortfall of available funds for the 21st Century program. MDE's procedures and internal controls were inadequate to prevent and/or detect the override; as timely reconciliation of 21st Century and Title I's expenditures, cash receipts and available funding may have disclosed the override in a timely manner.

Effect

As a result, MDE misused approximately, \$3.9 million of Title I program funds in July 2016 (subsequent fiscal year). The funds were repaid during FY 17 by transferring 21st Century funds to the Title I program.

MDE charged unallowed program expenditures to the Title I and incorrectly drew the funds from USDE. Current procedures did not prevent or detect the misuse of federal funds in a timely manner. MDE is required to use reimburse the Title I program using MDE's general funds.

Recommendation:

MDE should review and enhance current procedures to avoid a reoccurrence. The procedural updates should (at a minimum) provide a protocol for the Office of Accounting in regards to making changes to approved payment requests (MAGIC internal order, payee, dollar amount, etc.). If a change is requested, the Office of Accounting should not process the request until a changes have been approved by the designated parties. The Department should make the proper changes, obtain approvals and resubmit to the Office of Accounting. If the Office of Accounting is unable to process the request due to unavailable program funds, the resubmitted request should be (at a minimum) reviewed and approved by the Director of the Office of Accounting, the Chief Operations Officer, the Program Chief and the applicable program Executive Director.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

	MDE should require federally supported programs to reconcile expenditures, cash receipt and available funds on a monthly basis (no later than quarterly) to identify errors and potential financial concerns in a timely manner. Evidence of the review and conclusions reached should be documented and readily available.
Repeat Finding	No
Statistically Valid	N/A
Views of responsible officials	See additional comments in the Corrective Action Plan in this audit report.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SUBRECIPIENT MONITORING – SUB AWARD

Non-compliance

Significant Deficiency, Internal Control

2016-039 Internal controls over sub awards should be reviewed to ensure that the sub awards include all federal compliance requirements.

CFDA Number 84.010 – Title I, 84.367 – Title II

Federal Award Title I - ES010A130024, ES010A140024
Title II - ES367A130023, ES367A140023, ES367A150023

Federal Agency U.S. Department of Education

Pass-through Entity N/A

Questioned Costs None noted. The requirement does not affect allowable costs.

Criteria Control: Per 2 CFR section 200.303 - internal controls must be established and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Compliance: Per 2 CFR section 200.331 – Requirements for Pass Through Entities, the pass through entity (PTE) should ensure that every subaward is clearly identified to the subrecipient as a subaward and includes certain data elements at the time of the subaward; and, if any of these data elements change, include the changes in subsequent award modification. When some of this information is not available, the PTE must provide the best information available to describe the Federal Award and subaward. The data elements must include CFDA number and name and the PTE must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.

Condition During our testing, we noted that the grant agreements for 18 Title I and 18 Title II subrecipients (District) did not contain the required award identification information as identified in 2 CFR 200.331. The Office of Federal Programs (the Office) issues an allocation worksheet to the Districts which identifies the District's funding for

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

the Title I, II, III, VI, and X programs. The allocation worksheet does not meet the compliance requirements for sub recipient sub awards.

The Office requires each district to complete an annual consolidated application which identifies the program (Title, CFDA and award period), program objectives, goals and metrics. The consolidated application is approved and is a program tool for the Districts. However, the actual award notice to the Districts is an allocation worksheet, which is non-compliant and does not cross reference the annual consolidated application, linking the application as part of the sub award.

Cause The Office did not update the Districts' sub awards to include all of the required information in accordance with Uniform Guidance.

Effect The sub award is not in compliance with federal requirements.

Recommendation: The annual consolidated application process ensures that the program information and requirements are communicated and addressed by the Districts. However, the sub award is the official notice of funds to the Districts and should clearly state the required terms of the award; cross references to additional program requirements, assurances, etc., should be identified in the sub award as well.

We recommend the Office review the subaward requirements under Uniform Guidance and incorporate the requirements into the subaward process.

Repeat Finding No

Statistically Valid 18 out of 18 Title I and 18 out of 18 Title II District sub awards selected for testing were not in compliance with federal requirements.

Views of responsible officials See additional comments in the Corrective Action Plan in this audit report.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SUBRECIPIENT MONITORING – SUB AWARD

Non-compliance

Significant Deficiency, Internal Control

2016-040 Internal controls over sub awards should be reviewed to ensure that the sub awards include all federal compliance requirements.

CFDA Number 84.048 – Career and Technical Education

Federal Award EV048A140024, EV048A150024

Federal Agency U.S. Department of Education

Pass-through Entity None

Questioned Costs None noted. The requirement does not affect allowable costs.

Criteria Control: Per 2 CFR section 200.303 - internal controls must be established and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Compliance: Per 2 CFR section 200.331 – Requirements for Pass Through Entities, the pass through entity (PTE) should ensure that every subaward is clearly identified to the subrecipient as a subaward and include certain data elements at the time of the subaward; and, if any of these data elements change, include the changes in subsequent award modification. When some of this information is not available, the PTE must provide the best information available to describe the Federal Award and subaward. The data elements must include CFDA number and name and the PTE must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Condition	<p>During our testing, we noted that the sub awards for 4 out of 4 subrecipients (District) did not contain the required award identification information as identified in 2 CFR 200.331. The Office of Career and Technical Education (the Office) sends an electronic funding approval notice to the Districts; the funding notice does not meet the compliance requirements for sub recipient sub awards.</p> <p>The Office requires each district to complete a multi-year application which identifies the program (Title, CFDA and award period), program objectives, goals and metrics. The consolidated application is approved and is a program tool for the Districts. However, the actual award notice to the Districts is the approved funding notice, which is not compliant and does not cross reference the multi-year application, linking the application as part of the sub award.</p>
Cause	<p>The Office did not update the Districts' sub awards to include all of the required information in accordance with Uniform Guidance.</p>
Effect	<p>The sub award is not in compliance with federal requirements.</p>
Recommendation:	<p>The multi-year application process ensures that the program information and requirements are communicated and addressed by the Districts. However, the sub award is the official notice of funds to the Districts and should clearly state the required terms of the award; cross references to additional program requirements, assurances, etc., should be identified in the sub award as well.</p> <p>We recommend the Office review the subaward requirements under Uniform Guidance and incorporate the requirements into the subaward process.</p>
Repeat Finding	<p>No</p>
Statistically Valid	<p>4 out of 4 District sub awards selected for testing were not in compliance with federal requirements.</p>
Views of responsible officials	<p>See additional comments in the Corrective Action Plan in this audit report.</p>

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

REPORTING

Significant Deficiency, Internal Control

2016-041 Internal controls over reporting should be strengthened to ensure that supporting documentation is maintained in accordance with federal and state retention policies.

CFDA Number 84.048 – Career and Technical Education

Federal Award EV048A140024, EV048A150024

Federal Agency U.S. Department of Education

Pass-through Entity None

Questioned Costs None noted. The requirement does not affect allowable costs.

Criteria Control: Per 2 CFR section 200.303 - Internal Controls Must be Established and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Condition The financial data for the interim FSR did not agree to supporting documentation. We selected 2 FSRs for testing and agreed the financial data to MAGIC. The following differences were noted for one of the reports tested:

<u>Expenditure Category</u>	<u>Interim FSR</u>	<u>Supporting Documentation</u>	<u>Variance</u>
Administration	\$473,624	\$422,651	\$50,973
Post-Secondary	\$5,268,778	\$4,642,479	\$626,299
Secondary	\$5,771,807	\$5,550,771	\$221,036
Non Traditional	\$60,000	\$72,133	(\$12,133)
Leadership	\$1,126,600	\$286,077	\$840,523

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Cause	The Department of Education's building was subject to heavy smoke and water damage due to a fire at an adjoining building. As a result, the Office of Career and Technical Education (the Office) lost program and financial documents that were maintained in the building. The Office attempted to recreate the financial data but due to the implementation of a new state-wide financial system, some grant activity was not recorded to a specific grant and was identified as NRGRANT.
Effect	The Office is unable to support the financial data reported on the interim FSR.
Recommendation:	We recommend the Office inquire about electronic storage methods to prevent loss of documentation in the future.
Repeat Finding	No
Statistically Valid	1 out of 2 FSRs selected for testing did not agree to the supporting documentation.
Views of responsible officials	See additional comments in the Corrective Action Plan in this audit report.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SUB RECIPIENT MONITORING

***Scope Limitation- Material Weakness
Material Non-compliance***

2016-042	<u>Internal controls over reporting should be strengthened to ensure that supporting documentation is maintained in accordance with federal and state retention policies.</u>
CFDA Number	84.287 – 21 st Century Community Learning Centers
Federal Award	ES287C130024, ES287C140024
Federal Agency	U.S. Department of Education
Pass-through Entity	N/A
Questioned Costs	Undetermined, based on the lack of documentation we can't determine questioned costs.
Criteria	<p>Control: Per 2 CFR section 200.303 - Internal Controls Must be Established and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.</p> <p>Compliance: Per 2 CFR section 200.331 – Requirements for Pass Through Entities, the pass through entity (PTE) requires the PTE to:</p> <ol style="list-style-type: none">1. Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.2. Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.3. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes,

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

4. Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part 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 Audit requirements.

Compliance: Per 2 CFR section 200.331, Retention requirements for records - Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities.

Condition

During our testing of 17 subrecipients, we noted that documentation supporting subrecipient sub assessment, award and monitoring activities were either not provided or incomplete. The Office procedures require each subrecipient to prepare a proposal in response to the RFP. The proposals are evaluated/scored/approved and sub awards are issued to the subrecipients. The proposal is part of the grant award as it contains program objectives, requirements, subrecipient suspension and debarment attestation, and program budget (including matching requirements). Based our audit the following was noted:

1. Subrecipient Proposal- The 21st century community learning center FY 16 proposal package (includes federal program CFRs, program requirements/objectives budget (matching requirements) needs assessment, attestation to suspension and debarment), participation letter, conflict of interest was not provided for the following 3 subrecipients:
 - a. Boys & Girls Clubs of Central MS-Sykes Unit,
 - b. Mississippi Community Education Center, and
 - c. Back to Basics.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

2. Subrecipient Assessment- 21st Century Community Learning continuation application review sheet for FY 2016 was either not provided or signed for the following 16 subrecipients:

Not Provided:

- a. Jackson Public School District,
- b. Boys & Girls Clubs of Central MS-Sykes Unit,
- c. Boys & Girls Community Learning Center,
- d. Mississippi Community Education Center,
- e. Back to Basics,
- f. Montgomery MDE School District,
- g. Southern Dropout Prevention Alliance,
- h. Baldwin School District,
- i. Leadership Next-Generation Plus, Inc.,
- j. Perry MDE School District,
- k. Real Faith Christian Church.

Not signed (incomplete):

- l. Chicksaw MDE School District,
- m. Scientific Research (SR1)-Canton (not signed),
- n. Scientific Research (SR1) Ridgeland (not signed),
Scientific Research (SR1) Forest (not signed),
- o. Walthall MDE Schools, and
- p. Winona School District (not signed).

3. Subrecipient Subaward – DUNS was not provided or identified on the sub award for all 17 subrecipients. The sub award was not provided for FY 2016 for the following 6 subrecipients:

- a. Mississippi Community Education Center- last issued 2013,
- b. Scientific Research (SR1)-Canton – last issued 2014,
- c. Scientific Research (SR1) Ridgeland – last issued 2014,
- d. Scientific Research (SR1) Forest – last issued 2014,
- e. Winona School District – last issued 2014, and
- f. Back to Basics – last issued 2014.

4. Subrecipient Monitoring- Documentation of subrecipient monitoring consisted of a “yes/no” checklist; identification of documentation reviewed as part of the monitoring process was identified. The monitoring checklist was not provided for the following 4 subrecipients:

- a. Chicksaw MDE School District,
- b. Boys & Girls Clubs of Central MS-Sykes Unit,
- c. Boys & Girls Community Learning Center, and
- d. Back to Basics.

Due to the lack of monitoring documentation, we could not determine if the subrecipients listed above were monitored in accordance with the Office’s procedures.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Cause	<p>The Department of Education's building was subject to heavy smoke and water damage due to a fire at an adjoining building which contributed to the destruction of subrecipient proposals and MDE's sub recipient assessment.</p> <p>In addition, the Office of Federal Programs experienced turnover and documentation was lost during the transition.</p>
Effect	<p>The Office cannot support its assessment, subaward and monitoring of subrecipient activities which may cause the grantor to question costs.</p>
Recommendation:	<p>We recommend the Office review the current procedures for maintaining subrecipient documentation to ensure documentation is maintained in accordance with the State and federal retention policy. The procedures should identify where documentation is maintained, who has access to the retained documents and if the documents are maintained in electronic or paper format.</p>
Repeat Finding	<p>No</p>
Statistically Valid	<p>Refer to the condition.</p>
Views of responsible officials	<p>See additional comments in the Corrective Action Plan in this audit report.</p>

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2016**

2014-006 Controls Should Be Strengthened in the Office of Child Nutrition over Federal Funding Accountability and Transparency Act (FFATA) Reporting to Ensure Compliance with Federal Reporting Requirements

10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.556	Special Milk Program for Children (SMP)
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children (SFSPC)

Current Status: **Partial**

Planned corrective action: The Office of Technology and Strategic Services (OTSS) completed changes to OCeaN system to prevent reporting errors. OTSS also implemented a change control management procedure to document change requests to the system. Further, the Office of Child Nutrition, working with OTSS and the Mississippi Department of Information Technology Services, has procured and implemented a state of the art contract and claims system that has replaced OCeaN.

2014-008 Controls Should Be Strengthened over Payments Made to Subrecipients of the Child Nutrition Cluster and Child and Adult Care Food Programs

10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.556	Special Milk Program for Children (SMP)
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children (SFSPC)

Current Status: **Corrected**

2015-022 Controls Should Be Strengthened over Federal Reporting for the Child and Adult Care Food Program and the Child Nutrition Programs

10.553	National School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children

Current Status: **Corrected**

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2016**

2015-023	<u>Controls Should Be Strengthen over Allowable Costs for the Child and Adult Care Food Program and the Child Nutrition Programs</u>
10.553	National School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer food Service Program for Children

Current Status: **Corrected**

CORRECTIVE ACTION PLANS

(24)



MISSISSIPPI DEPARTMENT OF EDUCATION

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

March 28, 2017

Single Audit Findings

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

In accordance with your correspondence dated March 20, 2017, the Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the single audit findings for the fiscal year ending June 30, 2016.

AUDIT FINDINGS:

Allowable Cost and Activities

84.010 Title I

2016-038 Internal controls over posting federal program costs to the general ledger should be strengthened.

Response: The MDE acknowledges that unallowed costs were charged to the Title I program, and steps are being implemented to prevent this from reoccurring.

Corrective Action Plan:

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

Upon discovery, the MDE immediately required that any recoding or adjustments for payments be approved by members of the Executive Leadership Team before payments were finalized. In addition, MDE initialized a comprehensive review of

current processes and procedures to ensure that this would not reoccur. The procedures are being documented and will include approval levels up to and including the Chief of the respective bureau and the Chief Operations Officer. Currently, a form is being drafted to document the approvals at all levels to ensure that no adjustments or recoding occurs without final approval from the respective Chiefs. In addition, the agency has contracted with an outside Consultant to provide consultation services to revise and align MDE Policies and Procedures with the Mississippi Accountability System for Government Information and Collaboration (MAGIC). To ensure that the agency has a person on staff dedicated specifically to monitoring compliance, the Chief Operations Officer will be realigning the Operations department and designating someone on staff as a Compliance Manager. In addition, the Department of Finance and Administration has agreed to assist the agency as needed and to provide a member of their staff to facilitate training as necessary with MAGIC.

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

Felicia Gavin, Ph.D. – Chief Operations Officer

C. Anticipated completion date for corrective action.

June 30, 2017

Subrecipient Monitoring – Sub Awards

84.010 Title I and Title II

2016-039 Internal controls over sub awards should be reviewed to ensure that the sub awards include all federal compliance requirements.

Response: The Office of Federal Programs (OFP) concurs with this finding and is implementing the appropriate corrective action to meet the tenants of the law.

Corrective Action Plan:

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

The Office of Federal Programs (OFP) developed a Federal Award Notification template in December 2016 that the CliftonLarsonAllen firm reviewed for compliance with the Uniformed Grant Guidance. The OFP has begun using this template to create the Federal Award Notifications for all FY17 Final Allocations. These notices will be posted on the Federal Programs webpage, and uploaded into the Mississippi Comprehensive Automated Performance-based System (MCAPS), annually.

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

Elisha Campbell, Fiscal Director, Office of Federal Programs

C. Anticipated completion date for corrective action.

July 1, 2018

Subrecipient Monitoring – Sub Awards

84.048 Career and Technical Education

2016-40 Internal controls over sub awards should be reviewed to ensure that the sub awards include all federal compliance requirements.

Response: The Career and Technical Education (CTE) grant award is a five-year grant (2008-2012) that has been extended annually by Congress over the last five years in the absence of federal reauthorization. Initially, subrecipients submitted to the Mississippi Department of Education (MDE) a five-year local plan application (2008-2012) that contained federal compliance requirements. The approved local plan application became the official grant award for subrecipients. The application acknowledged that the grant period covered Federal Program Years 2008-2012, and allocations would be made each year with the submission of a Local Plan Update (LPU). Based on the May 2016 federal review of CTE, MDE made changes to the local plan application and those changes were subsequently approved. MDE recognizes the need to strengthen annual LPUs (sub awards) and have addressed this finding in sub awards being issued for FY 2018.

Corrective Action Plan:

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

The Office of Career and Technical Education (OCTE) revised its annual sub award documentation (Local Plan Update-LPU) and funding notifications to meet Uniform Grant Guidance. These documents have been uploaded into Lotus Notes, the CTE federal grants management system. The OCTE will require subrecipients to use the revised Local Plan Update (LPU) beginning with their April 2017 submission.

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

Mike Mulvihill, Director of Career and Technical Education

C. Anticipated completion date for corrective action.

April 18, 2017

Reporting

84.048 Career and Technical Education

2016-41 Internal controls over reporting should be strengthened to ensure that supporting documentation is maintained in accordance with federal and state retention policies.

Response: The Career and Technical Education (CTE) federal grant is a formula grant with six subcategories of funding. In previous years, the Office of Career and Technical Education (OCTE) used reports generated through Mississippi Executive Resource Library and Information Network (MERLIN), an electronic data warehouse of accounting, to provide accurate supporting documentation for financial status reports. Effective July 1, 2014, MERLIN was replaced by Mississippi's Accountability System for Government Information and Collaboration (MAGIC). The new system did not have any report type available to provide the needed documentation, nor did MDE staff have the capability to create a similar MERLIN report from MAGIC. The OCTE used internal expenditure records as supporting documentation to prepare the interim financial status report. Following the fire at Central High School on July 19, 2015, many of those internal records were destroyed.

To strengthen internal controls for reporting, subcategories have been created in MAGIC. Therefore, recently submitted financial status reports accurately reflect the supporting documentation pulled from MAGIC. Also, an electronic records retrieval system will be used for storing all financial documentation.

Corrective Action Plan:

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

To strengthen internal controls, the Mississippi Department of Education has incorporated a more thorough review process for CTE financial status reports by ensuring that reports are reviewed independently by the Office of Accounting prior to submission. Also, to ensure that records are maintained, an electronic records retrieval system will be used to store all supporting documentation for federal financial status reports.

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

Mike Mulvihill, Director of Career and Technical Education

C. Anticipated completion date for corrective action.

June 30, 2017

Reporting

84.287 21st Century Community Learning Centers

2016-42 Internal controls over reporting should be strengthened to ensure that supporting documentation is maintained in accordance with federal and state retention policies.

Response: Following the fire, smoke, and subsequent water damage at the Central High School Building on July 19, 2015, the Office of Federal Programs (OFP) lost documents due to water damage. Additionally, due to damage in the office space assigned to OFP and the department, the entire MDE staff and offices were relocated offsite and only permitted to take a limited number of files and supplies due to limited space. The damage was so extensive that staff members within the Office of Federal Programs were only allowed a half day to retrieve items from their work areas. As a result of the fire, the OFP was relocated several times.

New leadership was assigned to the OFP which includes a Bureau Manager who provides oversight to the programs housed within the office and a Director of Finance. In addition, the 21st CCLC Program was assigned new staff. Through the work of the OFP staff, the files for the 21st CCLC program were methodically assessed for completeness. The staff is continuing the attempt to reconstruct the files.

OFP recognizes the value of maintaining electronic records to verify and ensure record retention.

Corrective Action Plan:

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

The Office of Federal Programs (OFP) has begun maintaining electronic copies of all official documents. To achieve this process OFP staff members are required to save all official correspondence with subrecipients electronically. Written internal protocols for document retention will be developed in conjunction with the Office of Technology and Strategic Services.

Stacey E. Pickering
Page 6
March 28, 2017

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

Quentin Ransburg, Director of Federal Programs

C. Anticipated completion date for corrective action.

July 1, 2018

Sincerely,

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

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



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

Limited Review

May 4, 2017

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

Dear Dr. Wright:

For the year ended June 30, 2016, in conjunction with the United States Department of Education (USDE) and the Office of Inspector General (OIG), we will examine the agency's records and supplemental information to perform a limited review. Our review will include obtaining an understanding of the controls and events surrounding the misallocation of 21st Century Funds and the misappropriation of Title 1 Funds to cover the cash shortage.

Because of the nature of and other inherent limitations of a review, together with the inherent limitations of any system of internal control, there is an unavoidable risk that even some material weaknesses in internal control and /or material noncompliance with laws, grants, and regulations may remain undiscovered.

The agency will be issued a report at the conclusion of the review detailing our findings of any federal compliance violations or weaknesses in internal control that may have come to our attention during the course of the review. We will also present a copy of this report to the United States Department of Education and the Office of the Inspector General for their review.

As part of our review, agency's management will cooperate by providing access to all records and other information required in connection with the review including access to any computer media data maintained at the agency or datasets at the Department of Finance Administration. Agency's management will also provide us with a written confirmation at the conclusion of fieldwork concerning any representations made to us in connection with the review.

Mississippi Department of Education
May 4, 2017
Page 2

In accordance with the Mississippi Budget Transparency and Simplification Act of 2016, no audit fee shall be charged for services provided to another state agency.

If you have any questions, please let us know. Please note that by signing this letter, you acknowledge the above and agree to cooperate fully with our agency, the USDE, and the OIG. This letter serves as an acknowledgement of the limited review we will perform and has been provided to your office to facilitate the understanding of said review.

Thank you in advance for your cooperation,

Stephanie C. Palmertree

STEPHANIE PALMERTREE, CPA
Director, Financial and Compliance Audit
Office of the State Auditor

Acknowledged:

MS Dept. of Education (Agency Name)
Carey St. John (Agency Head)

Letter mailed to:

_____ (Board Chairperson) _____ (Date)

By: Representatives Read, Moore, Arnold,
Banks, Barker, Beckett, Bennett, Bounds,
Brown, Busby, Clarke, Cockerham, Currie,
DeLano, Denny, Eure, Holland, Huddleston
(30th), Ladner, Mettetal, Monsour, Staples,
Sullivan, Thomas, Turner, Watson

To: Appropriations

HOUSE BILL NO. 1502
(As Sent to Governor)

1 AN ACT MAKING AN APPROPRIATION FOR THE PURPOSE OF FUNDING
2 K-12 AND OTHER RELATED EDUCATIONAL ACTIVITIES, INCLUDING CERTAIN
3 AGENCIES AND PROGRAMS, IN THE STATE OF MISSISSIPPI, FOR THE FISCAL
4 YEAR 2018.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

6 **SECTION 1.** The following sums, or so much of those sums as
7 may be necessary, are appropriated out of any money in the State
8 General Fund not otherwise appropriated, for the purpose of
9 funding K-12 and other related educational activities, including
10 certain agencies and programs, in the State of Mississippi, for
11 the fiscal year beginning July 1, 2017, and ending June 30, 2018,
12 as follows:

13 (a) To the State Board of Education for the purpose of
14 defraying the expenses of the State Department of Education, and
15 excluding the expenses of the Vocational and Technical Education
16 Division.....\$ 116,586,224.00.

17 (b) To the State Board of Education for the purpose of
18 defraying the expenses of the Vocational and Technical Education
19 Division of the State Department of Education.....



662 Insurance Program. The amount of such fees shall be Five Hundred
663 Dollars (\$500.00) for each semester.

664 **SECTION 35.** It is the intent of the Legislature that each
665 eligible employee who meets the National Board requirements under
666 Section 37-19-7(2), Mississippi Code of 1972, shall be paid the
667 full supplement and that such supplement shall be included on a
668 prorated basis in the employee's monthly paycheck.

669 **SECTION 36.** It is the intention of the Legislature that the
670 Mississippi Department of Education may loan any general or
671 special source fund amount, not to exceed Five Million Dollars
672 (\$5,000,000.00), to any school district for the purpose of
673 providing funds to school districts through the Emergency
674 Assistance Fund as outlined in Section 37-17-6, Mississippi Code
675 of 1972, during the period beginning July 1, 2017, and ending
676 June 30, 2018. The school districts receiving these loans shall
677 repay the Mississippi Department of Education the amount of the
678 loan on or before June 30, 2018.

679 **SECTION 37.** Of the funds appropriated in Section 1(a),
680 Twenty Million Three Hundred Eighty-one Thousand One Hundred
681 Fifty-nine Dollars (\$20,381,159) shall be used for the School
682 Recognition Program authorized by Section 37-19-10, Mississippi
683 Code of 1972.

684 **SECTION 38.** It is the intention of the Legislature that the
685 State Department of Education shall have the authority to expend
686 state funds not to exceed Seven Million Six Hundred Thousand

687 Dollars (\$7,600,000.00), to reimburse and/or compensate school
688 districts for expenditures related to Title I funding. Such
689 expenditures to be carried out in a manner consistent with the
690 rules and regulations of the Department of Finance and
691 Administration. This authority shall take effect from and after
692 passage.

693 **SECTION 39.** The following sum, or so much thereof as may be
694 necessary, is hereby reappropriated out of any money in the State
695 General Fund not otherwise appropriated, for the State Department
696 of Education for the purpose of reauthorizing the expenditure of
697 State General Funds, as authorized in HB 1643, 2016 Regular
698 Session to provide additional funding for general education
699 purposes for the fiscal year beginning July 1, 2017 and ending
700 June 30, 2018.....\$ 2,500,000.00

701 **SECTION 40.** Of the funds appropriated in Section 1(a), Seven
702 Hundred Thousand Dollars (\$700,000.00) shall be transferred to the
703 Board of Health no later than December 31, 2017.

704 **SECTION 41.** Any school district receiving funds through Save
705 the Children and Stride may provide a ten percent (10%) match from
706 local funds for implementation of the program.

707 **SECTION 42.** Of the funds appropriated in Section 1(a), Two
708 Million Dollars (\$2,000,000.00) is provided for the Mississippi
709 Community Oriented Policing Services in Schools (MCOPS) grant
710 program.



711 **SECTION 43.** Of the funds appropriated in Section 1(a), Four
712 Million Dollars (\$4,000,000.00) is provided for an Early Childhood
713 Education Initiative program. Of the funds provided herein, it is
714 the intention of the Legislature that no new funds may be expended
715 to defray the costs of any pre-kindergarten program that has not
716 been determined by the Joint Legislative Committee on Performance
717 Evaluation and Expenditure Review to be evidence-based.

718 **SECTION 44.** Of the funds appropriated in Section 1(a) and
719 Section 4(a), Fifteen Million Dollars (\$15,000,000.00) shall be
720 used for the Literacy Initiative and Assessment.

721 **SECTION 45.** Of the funds appropriated in Section 1(b), One
722 Hundred Sixty Thousand Dollars (\$160,000.00) is provided for the
723 Smart Lab project.

724 **SECTION 46.** Of the funds appropriated herein, funding is
725 provided for the ACT test, which is the college readiness portion
726 of the state accountability model.

727 **SECTION 47.** The money appropriated in this act shall be paid
728 by the State Treasurer out of any money in the proper fund or
729 funds as set forth in this act, upon warrants issued by the State
730 Fiscal Officer; and the State Fiscal Officer shall issue his
731 warrants upon requisitions signed by the proper person, officer or
732 officers in the manner provided by law.

733 **SECTION 48.** This act shall take effect and be in force from
734 and after July 1, 2017.



Plan of Action for Unearned Revenue

On April 19, 2017, after the governor signed the Appropriation Bill (HB 1502), the Office of Accounting completed a Journal Entry in MAGIC to move expenditures from Title I, Part A to State General Funds to reimburse/compensate school districts for expenditures related to Title I, Part A.

The journal entry that was done on April 19, 2017, caused the department to have unearned revenue of \$7,543,662.90 in the Title I, Part A Fund. Beginning in May 2017, the Accounts Receivable Accountant has monitored the draws for the grant closely. He has developed a spreadsheet to ensure that the school payment reimbursements for Title I, Part A (ION: 700000003488) is not drawn from G-5.gov. The school payment reimbursements are used to offset against the unearned revenue. Currently, the unearned revenue is at \$4.1M. The average monthly reimbursement on this grant is \$1.7M. If the districts continue to request reimbursement at this rate, we are anticipating that the unearned revenue will be absorbed by September 2017.

Unearned Revenue

Amount in Unearned Revenue (3154) as of 4/19/17	\$	7,543,662.90
May 2017 Expenditures (not drawn from G-5)		(1,684,417.08)
June 2017 Expenditures (not drawn from G-5)		<u>(1,749,284.35)</u>
Amount in Unearned Revenue as of July 2017	\$	<u><u>4,109,961.47</u></u>

Grant 3154 I/O 700000003488
Unearned Revenue Absorption Schedule
July 2017

4/20/2017 Grant (3154) Unearned Revenue	7,543,662.90
5/22/2017 May 2017 School Payment Expenditures Not Drawn	(1,684,417.08)
6/13/2017 June 2017 School Payment Expenditures Not Drawn	<u>(1,749,284.35)</u>
Amount in Unearned Revenue as of July 2017	4,109,961.47