



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.





## **Department of Corrections**

### **FINANCIAL STATEMENTS OF FUNDS SELECTED FOR AUDIT**

**June 30, 2020**

Table of Contents



	Page
<b>REPORT</b>	
Independent Auditors' Report .....	1
<b>FINANCIAL STATEMENTS OF FUNDS SELECTED FOR AUDIT</b>	
Balance Sheets of Funds Selected for Audit .....	4
Statements of Revenues, Expenditures, and Changes in Fund Balance .....	5
Notes to Financial Statements of Funds Selected for Audit .....	6
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 <i>Government Auditing Standards</i> .....	13
Schedule of Findings and Responses .....	15



**Carr, Riggs & Ingram, LLC**  
400 West Parkway Place  
Suite 300  
Ridgeland, MS 39157

Mailing Address:  
PO Box 2418  
Ridgeland, MS 39158

601.853.7050  
601.853.9331 (fax)  
CRlcpa.com

## **INDEPENDENT AUDITORS' REPORT**

Commissioner Nathan "Burl" Cain  
State of Mississippi  
Department of Corrections  
Jackson, Mississippi

### **Report on the Financial Statements of Funds Selected for Audit**

We have audited the accompanying financial statements of the State Treasury Funds 2255400000, 2255500000, 2255600000 and 3356100000 of the State of Mississippi, Department of Corrections (the Funds), which are comprised of balance sheets as of June 30, 2020, and statements of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements.

### **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 audits. We conducted our audits 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 audits 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 auditor's 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Treasury Fund 2255400000, 2255500000, 2255600000, and 3356100000 of the State of Mississippi, Department of Corrections as of June 30, 2020, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the financial position and changes in financial position of State Treasury Funds 2255400000, 2255500000, 2255600000, and 3356100000 as selected for audit by the State of Mississippi, Office of the State Auditor and do not purport to, and do not present fairly the financial position of the State of Mississippi, Department of Corrections as of June 30, 2020, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Management has omitted management's 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 financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinions on the financial statements are not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021, on our consideration of the Funds' internal control over financial reporting and 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 results of that testing, and not to provide an opinion on the 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 the Funds' internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
February 26, 2021

**State of Mississippi Department of Corrections  
Balance Sheets of Funds Selected for Audit**

	Medical Fund 2255400000	Private Prison Fund 2255500000	Regional Prison Fund 2255600000	Inmate Welfare Fund 3356100000
<i>June 30, 2020</i>				
<b>Assets</b>				
Cash	\$ 217,761	\$ 42,246	\$ 392,009	\$ 7,212,707
Due from other funds	4,239,367	-	-	-
Accounts receivable	-	-	-	352,653
<b>Total assets</b>	<b>\$ 4,457,128</b>	<b>\$ 42,246</b>	<b>\$ 392,009</b>	<b>\$ 7,565,360</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 15,532,035	\$ 35,629	\$ -	\$ 11,768
Accrued wages payable	10,760	-	-	2,095
Due to other funds	348,434	-	-	-
Due to local governments	-	2,058,498	6,387,382	-
<b>Total liabilities</b>	<b>15,891,229</b>	<b>2,094,127</b>	<b>6,387,382</b>	<b>13,863</b>
<b>Fund balances (deficit)</b>				
Committed to				
Law, justice and public safety	-	-	-	7,551,497
Unassigned	(11,434,101)	(2,051,881)	(5,995,373)	-
<b>Total fund balances (deficit)</b>	<b>(11,434,101)</b>	<b>(2,051,881)</b>	<b>(5,995,373)</b>	<b>7,551,497</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,457,128</b>	<b>\$ 42,246</b>	<b>\$ 392,009</b>	<b>\$ 7,565,360</b>

*The accompanying notes are an integral part of these financial statements.*



**State of Mississippi Department of Corrections  
Statement of Revenues, Expenditures, and Changes in  
Fund Balance of Funds Selected for Audit**

<i>Year ended June 30, 2020</i>	<b>Medical Fund 2255400000</b>	<b>Private Prison Fund 2255500000</b>	<b>Regional Prison Fund 2255600000</b>	<b>Inmate Welfare Fund 3356100000</b>
<b>Revenues</b>				
State appropriation/allotment	\$ 75,706,962	\$ 66,690,836	\$ 38,443,993	\$ -
Other income	-	-	-	2,850,763
<b>Total revenues</b>	<b>75,706,962</b>	<b>66,690,836</b>	<b>38,443,993</b>	<b>2,850,763</b>
<b>Expenditures</b>				
Current				
Salaries	261,929	-	-	1,124,190
Travel	2,953	-	-	4,370
Contractual	70,661,202	43,442,007	40,993,895	572,669
Commodities	-	-	-	337,895
Debt service				
Principal	-	15,225,000	-	-
Interest and other charges	-	6,569,700	-	-
Capital outlay	-	-	-	6,800
<b>Total expenditures</b>	<b>70,926,084</b>	<b>65,236,707</b>	<b>40,993,895</b>	<b>2,045,924</b>
Excess of revenues over (under) expenditures	4,780,878	1,454,129	(2,549,902)	804,839
<b>Other financing sources (uses)</b>				
Transfers in (out), net	(636,346)	-	-	(156,500)
Net change in fund balances	4,144,532	1,454,129	(2,549,902)	648,339
Fund balances (deficit), beginning of year	(15,578,633)	(3,506,010)	(3,445,471)	6,903,158
Fund balances (deficit), end of year	\$ (11,434,101)	\$ (2,051,881)	\$ (5,995,373)	\$ 7,551,497

*The accompanying notes are an integral part of these financial statements.*

## **State of Mississippi Department of Corrections Notes to Financial Statements of Funds Selected for Audit**

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Presentation***

The State of Mississippi Department of Corrections (MDOC), an agency of the State of Mississippi, follows fund accounting with respect the State Treasury Funds 2255400000, 2255500000, 2255600000 and 3356100000 of the State of Mississippi, Department of Corrections (the Funds) and pursuant to applicable state statutes. The accompanying selected fund financial statements of the Mississippi Department of Corrections have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The Funds apply all applicable GASB pronouncements. However, these selected fund financial statements do not constitute a complete presentation because the selected fund financial statements do not present the government-wide financial statements, reconciliations to the government-wide financial statements, management's discussion and analysis, or budgetary information. Also, certain notes in the selected fund financial statements may supplement rather than duplicate the notes included in the State of Mississippi's comprehensive annual financial report. These funds represent funds selected for audit by the State of Mississippi, Office of the State Auditor, and the accompanying presentation does not purport to present the financial position and changes in financial position of MDOC.

#### ***Measurement Focus and Basis of Accounting***

The Funds selected for audit are presented as governmental general fund types. Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on the balance sheet. Under this method, revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year-end to liquidate liabilities existing at the end of the fiscal year. The Funds consider revenues received within 60 days after fiscal year-end as available. Significant revenue sources that are susceptible to accrual include federal grants. Other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

*Medical Budget Authority Funds* (Funds 2255400000 – Medical Fund) is used to account for expenditures related to yearly health care contracts, specialty health care needs and security for hospitalized inmates.

*Private Prison Budget Authority Fund* (Funds 2255500000 – Private Prison Fund) is used to account for the expenditures paid to private prison entities for the management of the four (4) private prisons.

*Regional Prison Budget Authority Fund* (Funds 2255600000 – Regional Prison Fund) is used to account for the expenditures related to managing and maintaining the fifteen (15) regional facilities.

*Inmate Welfare Fund* (Fund 3356100000) is used to account for revenues and other sources received by MDOC through canteen and vending commissions, and related expenditures to provide for certain benefits for the inmates.

## **State of Mississippi Department of Corrections**

### **Notes to Financial Statements of Funds Selected for Audit**

#### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Cash and Cash Equivalents***

Cash includes cash on hand and demand deposits. All short-term, highly liquid investments that are readily convertible to cash (generally with a maturity of three months or less) are considered cash equivalents. At June 30, 2020, there were no cash equivalents.

##### ***Accounts Receivable***

Accounts receivable consist of amounts billed by a third party related to canteen and vending commissions from the third-party canteen vendor. Accounts receivable are reported net of allowances for uncollectible accounts, where applicable, based upon a review of outstanding receivables historical collection information and existing economic conditions. No allowance for uncollectible accounts is recorded at June 30, 2020.

##### ***Interfund Activities and Transactions***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. Long-term borrowings between funds are classified as "advances to other funds" or "advances from other funds" in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

##### ***Fund Balances – Governmental Funds***

*Fund balance flow assumptions* – Sometimes the Funds will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Funds' policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance policies* – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Funds can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

## State of Mississippi Department of Corrections Notes to Financial Statements of Funds Selected for Audit

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Fund Balances – Governmental Funds (continued)***

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

***Nonspendable fund balance*** – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

***Restricted fund balance*** – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

***Committed fund balance*** – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Funds' highest level of decision-making authority. The governing commissioner is the highest level of decision-making authority for the Funds that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

***Assigned fund balance*** – Amounts in the assigned fund balance classification are intended to be used by the Funds for specific purposes but do not meet the criteria to be classified as committed. The governing commissioner may by resolution authorize the finance director to assign fund balance. The Funds may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

***Unassigned fund balance*** – Unassigned fund balance is the residual classification for the selected funds.

***Deficit Fund Balances*** – As of June 30, 2020, certain Funds were in a deficit fund balance. The deficit fund balance in each fund will be funded by either an interfund transfer from a fund with positive fund balance or future appropriations.

#### ***Revenues and Expenditures***

Revenues in the various funds are generally recognized when the revenues are received or appropriated by the State of Mississippi Legislature. State appropriations are held in the Treasury of the State of Mississippi and are defined as the balance of the Fund's current allotment, which is available to spend for the current fiscal year. Certain services may be provided to the Funds at no charge based on management's discretion and funding availability.

## **State of Mississippi Department of Corrections**

### **Notes to Financial Statements of Funds Selected for Audit**

#### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 reporting period. Actual results could differ from those estimates.

##### ***Subsequent Events***

Management has evaluated events through February 26, 2021, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that required additional recognition or disclosure in the financial statements.

#### **Note 2: DEPOSITS**

Section 27-105-5, Mississippi Code Ann. (1972), authorizes the State Treasurer to implement a statewide collateral pool program which secures all state and local public funds deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured. Section 27-105-5, Mississippi Code Ann. (1972), establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutorily required 5.5% primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105% of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the state's interests.

*Custodial credit risk* – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. Deposits above FDIC overage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Funds. All deposited funds of the Funds are fully collateralized in accordance with state statutes.

**State of Mississippi Department of Corrections**  
**Notes to Financial Statements of Funds Selected for Audit**

**Note 3: DEFINED BENEFIT PENSION PLAN**

The Funds contribute to the Public Employees' Retirement System of Mississippi (System). The System is responsible for administering retirement benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employers whose employers have elected to participate and elected members of the State Legislature, as well as the President of the Senate. The Funds participate in the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information. The information may be obtained by writing to Public Employees' Retirement System of Mississippi Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

The PERS members are required to contribute 9.00% of their annual covered salary and the Funds are required to contribute at an actuarially determined rate. The current rate is 17.40% of annual covered payroll. The contribution requirements for PERS are established in accordance with actuarial contribution requirements determined through actuarial valuation and adopted by the PERS Board.



**State of Mississippi Department of Corrections**  
**Notes to Financial Statements of Funds Selected for Audit**

**Note 4: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at June 30, 2020, are as follows:

<i>June 30, 2020</i>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
3332800000 - Medicaid Fund	\$ 348,434	\$ -
2255400000 - Medical Fund	-	348,434
	<b>\$ 348,434</b>	<b>\$ 348,434</b>
2255400000 - Medical Fund	\$ 4,239,367	\$ -
6455A00000 - Medical Capital Expense Fund	-	4,239,367
	<b>\$ 4,239,367</b>	<b>\$ 4,239,367</b>

Due to/from other funds result primarily from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made. All balances are expected to be received or paid during fiscal year 2021.

Interfund transfers for the year ended June 30, 2020, are as follows:

<i>June 30, 2020</i>	<b>Interfund Transfers Out</b>	<b>Interfund Transfers In</b>
3356100000 - Inmate Welfare Fund	\$ 156,500	\$ -
3357300000 – Parchman Inmate Welfare Fund	-	57,000
3357400000 – Central MS Correctional Inmate Welfare Fund	-	63,000
3357500000 – South MS Correctional Facility Welfare Fund	-	35,000
3357600000 – Community Corrections	-	1,500
	<b>156,500</b>	<b>156,500</b>
2255400000 - Medical Fund	636,346	-
3332800000 - Medicaid Fund	-	636,346
	<b>\$ 636,346</b>	<b>\$ 636,346</b>

Interfund transfers are primarily used to move revenues from funds required to collect them to funds required to expend them. The transfers from the Inmate Welfare Fund of \$156,500 were to establish four new funds for the Inmate Welfare Fund in June 2020 for MDOC to track Inmate Welfare Funds by facility.

**State of Mississippi Department of Corrections**  
**Notes to Financial Statements of Funds Selected for Audit**

**Note 5: CONTINGENCIES**

The Funds are party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the Funds in a majority of these cases. In the event they are not successful in defending such cases, the State's opinion is that the ultimate disposition of these matters will not have a material adverse effect on the financial position or changes in financial position of the Funds.

**Note 6: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Funds. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.





Carr, Riggs & Ingram, LLC  
400 West Parkway Place  
Suite 300  
Ridgeland, MS 39157

Mailing Address:  
PO Box 2418  
Ridgeland, MS 39158

601.853.7050  
601.853.9331 (fax)  
CRIcpa.com

**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**

Commissioner Nathan "Burl" Cain  
State of Mississippi, Department of Corrections  
Jackson, Mississippi

We have audited, 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, the financial statements of the State Treasury funds selected for audit consisting of funds 2255400000, 2255500000, 2255600000 and 3356100000 of the State of Mississippi, Department of Corrections, (the Funds) which are comprised of balance sheets as of June 30, 2020, and statements of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2021. Our report contains an *Emphasis of Matter* paragraph regarding the Funds reflected in the financial statements and an *Other Matter* paragraph regarding the omission of management's discussion and analysis and budgetary comparison schedules.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Funds' internal control over financial reporting (internal control) as a basis for designing 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 the Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds' 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 Funds' 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 of this section 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 responses as items 2020-018, 2020-019, 2020-020, 2020-021, and 2020-022, that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Funds' financial statements are free of 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 audits 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 responses as items 2020-020 and 2020-022.

### **The Funds' Response to Findings**

The Funds' responses to the findings identified in our audits are described in the accompanying schedule of findings and responses. The Funds' response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
February 26, 2021

**State of Mississippi Department of Corrections**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**Finding 2020-018**

Repeat Finding: 2018

Finding Type: Material Weakness In Internal Controls Over Financial Reporting – GAAP Package

**Criteria**

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all Funds.

**Condition**

There were several instances of adjustments that were needed to properly state the financial statements due to lack of proper management review of key entries, accounts, and supporting worksheets used in Fund's GAAP Package Reporting process.

1. The Funds' process related to the accrual process for medical services accounted for in the Medical Fund does not provide sufficient detail to support the accrual amount recorded. The accrual is determined at a point in time based on certain information; however, the information is not maintained. Additionally, complicating the accrual process is a significant lag time of receipt of the medical bills related to the services being performed. In reviewing the medical bills, the invoices related to medical services were posted sometimes four months from when the services were performed.
2. The Funds have several contractual relationships related to inmate services and the GAAP Packages did not accrue these invoices related to these services in the Private Prison Fund and Regional Prison Fund. The accrual process incorrectly indicated that these invoices were related to budget period 2021 as a result of a Senate Bill indicating that there were funds appropriated in 2021 to fund 2020 expenditures and therefore not included in the GAAP Package accruals.
3. The Funds do not have documented evidence of controls over review of the monthly reporting package by management for all funds.

Additionally, the recordkeeping and organizational system of the underlying calculations and worksheets used in the GAAP Package Reporting process is disorganized and not conducive to easy supervisory review and approval.

**Cause of Condition**

The accounting policies and procedures of the Funds didn't provide for a sufficiently detailed level of supervisory challenge, review and approval of the underlying and supporting worksheets and calculations used in GAAP Package Reporting. Additionally, the recordkeeping and organizational system of the underlying and supporting calculations and worksheets is not conducive for easy supervisory review and approval.

**Effect of Condition**

Audit adjustments of approximately \$11,800,000 were required to correct material misstatements identified in the Fund's financial statements.

**State of Mississippi Department of Corrections**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**Finding 2020-018 (Continued)**

**Recommendation**

Management should implement a more detailed process for the review and approval of GAAP Package Reporting. As a part of this process, the individual underlying and supporting worksheets and calculations should be subject to independent challenge, review and approval at a sufficiently detailed level whereas calculation and other errors are prevented and detected in a timely manner.

Management should implement a process specially related to the medical fund to track and account for the medical services being provided to help identify incurred but not yet reported claims.

Additionally, we recommend Management implement a more formalized organizational system for the underlying calculations and worksheets that includes cross-references to support, detailed support for Fund's Agency GAAP Adjustments and reconciliations sufficient to support the balances reported.

**Agency Response**

Management has already changed the process for completing transactions in MAGIC. Support documentation will consist of all line items associated with transactions and support the total amount of the transaction prior to approval. The Director of Fiscal Affairs will be the final approval on these transactions and ensure supporting detail is attached in MAGIC.

The Accounting Department will work with the Medical Compliance Department to develop a monthly report identifying all offenders' incurring medical bills on a monthly basis. The Accounts Payable Team will cross-reference the monthly report with monthly payments to identify outstanding invoices for research and follow-up. This will ensure invoices are processed timely.

The agency has implemented a process in which all fund transfers are reconciled and processed on a monthly basis with support documentation uploaded in MAGIC.

**State of Mississippi Department of Corrections**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**Finding 2020-019**

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls Over Financial Reporting –  
Premier Supply Link, LLC

**Criteria**

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all Funds.

The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that reconciliations of accounting data be timely and detailed in order to ensure accuracy and reliability.

**Condition**

The Funds has contracted with Premier Supply Link, LLC (Premier) to provide canteen services to the Funds' inmates statewide. The contract is a net-of-fee contract whereby Premier provides canteen services and the Fund is compensated based on a determined percentage of the retail sales of canteen items to the Funds' inmates. The Funds rely on Premier invoices and supporting documentation related to retail sales to determine the Funds' compensation accounted for in the Inmate Welfare Fund. There is no review of Premier's monthly calculation of the Funds' compensation and verification of the retail sales and supporting documentation.

**Cause of Condition**

The Funds' accounting policies and procedures do not provide for verification of the canteen sales.

**Effect of Condition**

The lack of proper controls over canteen commissions could allow for inadvertent errors or fraud related to canteen commissions.

**Recommendation**

Management should implement a more detailed process for the review and approval of the canteen services compensation. As a part of this process, management should consider performing an annual audit of the canteen services information utilized to determine the canteen compensation. Additionally, The Fund should consider having Premier obtain a Service Organization Control (SOC) 1 report to provide independent verification of adequacy of their system of controls.

**State of Mississippi Department of Corrections**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**Finding 2020-019 (Continued)**

**Agency Response**

The agency will enforce MDOC Policy 02-10, Canteen Operations, which stipulates canteen funds will be independently audited and require annual financial status report. The agency will look into amending the terms of the contract with Premier Supply Link, LLC to include sufficient language stipulating the agency's discretion to audit financial records and require retention of such records for a specified period of time. The agency is in the process of hiring an internal auditor whose duties will include the a monthly review of canteen services compensation and annual financial status report.

The agency will consider requirement of the Service Organization Control (SOC) 1 report to provide independent verification of adequacy of vendor's system of controls.

**State of Mississippi Department of Corrections**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**Finding 2020-020**

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls Over Financial Reporting and Noncompliance with State Laws – Contractual Services

**Criteria**

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all Funds.

The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that reconciliations of accounting data be timely and detailed in order to ensure accuracy and reliability.

*Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 08.30.10*, states “Purchase Orders should be created for all items with a contract, even if the items do not require a PO. This will allow for posting of the final invoice payment after the contract has expired. If the contract expires before the final payment, and no PO has been created, then direct invoices cannot be created against the contract.”

**Condition**

The Fund has contracted with several different entities to provide residential services to the Funds’ inmates. The contract fee is based on inmates assigned to the facility as established by the Midnight Strength Report. The contract fees allow for a minimum guarantee based on levels of inmate population as established by the contract and then additional fee for populations being serviced over the population covered by the minimum guarantees.

We reviewed several invoices related to the contractual payments and noted the following discrepancies, while these items were not material, they indicate lack of detailed review to provide assurance that payments were proper for the Private Prison Fund and Regional Prison Fund:

- The total fee on the invoices for a facility was based on daily inmate population at a determined per diem rate except for the 14<sup>th</sup> day on the invoice that had a different per diem rate.
- Several invoices did not calculate that the total amount correctly but were still paid at the amount due on the invoice.
- Invoices that the check was written for an amount more than the total amount due on the invoice without any adjustment noted on the invoice indicating a different amount was due.
- Invoices based on inmate populations that were different then the Midnight Strength Report.
- Invoice which noted the inmate population was for the period April 2020 but the detail of the inmate population by day had dates of March 2020.

**State of Mississippi Department of Corrections**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**Finding 2020-020 (Continued)**

In addition, we reviewed all the contracts utilized by the Funds and noted the Funds did not issue a purchase order for a contractual purchase to ensure final payment of invoice. Utilizing purchase orders is a requirement in the MAAPP Manual and also serves as a control in the statewide accounting system (MAGIC) to ensure contracts are not overpaid.

**Cause of Condition**

The Funds' accounting policies and procedures do not require purchase orders for final payment of contracts nor does it provide for independent records with which to validate the inmate population or an audit of the inmate population information.

**Effect of Condition**

The lack of effective internal control activities over contract payments could allow for inadvertent errors, such as calculation errors; payments for unauthorized purposes or excessive amounts, resulting in improper contract payments.

**Recommendation**

Management should develop and implement a more detailed process for the review and approval of the residential services contractual fee to ensure contract payments are appropriate. The process should include a documented evidence of review and approval of the inmate population, the per diem rate, the mathematical accuracy of the invoice and the guarantee minimum contractual arrangement. Management should consider requiring the various vendors with the guarantee minimum contractual arrangements include a year to date amount compared to the guarantee minimum to ensure appropriate contractual payments.

As a part of this process, management should consider performing an annual audit of the residential services information utilized to determine the contractual fee to ensure compliance with the contractual arrangements. Management should also consider utilizing purchase orders to track contractual payments and ensure compliance with state laws and rules and regulations set forth by the Mississippi Department of Finance and Administration over contractual expenditures.

**Agency Response**

MDOC will address finding through staff training. Accounts Payable staff will be required to reference contract number on vendor invoice, verify mathematical computations, initial and date invoice indicating verification of rates consistent with contract per diem and/or minimum guarantee rates; verify funds are available on contract and attach the verified invoice in MAGIC.

The agency will enforce its discretion to audit financial records on an annual basis and require retention of such records for a specified period of time. The agency is in the process of hiring an internal auditor whose duties include audit of contractors' financial records and annual financial status report.



**State of Mississippi Department of Corrections**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**Finding 2020-021**

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls Over Financial Reporting -  
Segregation of Duties

**Criteria**

Management is responsible for establishing and maintaining effective internal controls over transaction cycles. Segregation of duties is a fundamental element of internal controls. The basic principle underlying segregation of duties is that no one person or group of employees should be in a position to commit and conceal errors or fraud in their day to day jobs. Segregation of duties serves two key purposes: It ensures that there is oversight and review to catch errors. It also helps to prevent fraud or theft because it requires two people to collude in order to hide a transaction. Hence, separation of duties is the means by which no one person has sole control over the lifespan of a transaction. No one person should be able to initiate, approve, record, reconcile, and review reports related to a transaction.

**Condition**

The accounting director for the Funds' has the ability to set up a new vendor and authorize a payment.

**Cause of Condition**

The Funds' current accounting procedures do not provide for sufficient segregation of duties with respect to the cash disbursement process or appropriate compensating controls to mitigate the risk.

**Effect of Condition**

The lack of proper internal controls over the cash disbursement increases the risk of errors or fraud to go undetected.

**Recommendation**

The Fund should review the current accounting procedures over the cash disbursements process and evaluate the proper segregation of duties related to the accounting director.

**Agency Response**

MDOC will review accounting procedures to strengthen controls to ensure proper segregation of duties over the cash disbursements process.

**State of Mississippi Department of Corrections**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**Finding 2020-022**

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls Over Financial Reporting and Noncompliance  
With State Law- Quickbooks

**Criteria**

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all Funds.

The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that reconciliations of accounting data be timely and detailed in order to ensure accuracy and reliability.

*Section 7-7-3, Miss. Code Ann. (1972)* establishes the Department of Finance and Administration (DFA) as the General Accounting Office for the State of Mississippi and authorizes DFA to prescribe the accounting system for state agencies. Additionally, it establishes that the Mississippi Management and Reporting System (MMRS) is responsible for an executive information system within state government to include a centralized automated accounting system, a centralized automated human resource/payroll system for state agencies and the automation of performance programmatic data and other data as needed by the legislative and executive branches to monitor the receipt and expenditure of funds in accordance with desired objectives.

**Condition**

MDOC utilizes QuickBooks accounting software for funds received as well as transfers made between funds. Quickbooks is utilized as a clearing account by MDOC to record receipt transactions and then checks are cut to the State Treasury to move the funds from a MDOC account into a State Treasury account. The account currently has \$27,148 balance and for fiscal year June 30, 2020 had approximately \$8.2 million of receipts, \$8.1 million of checks cut to State Treasury and \$117,000 of checks cut to various vendors. The checks cut to vendors do not specify the fund to which the activity is related nor is it easily determinable whether the activity has been recorded into MAGIC. The Funds reconcile amounts entered into QuickBooks accounting software to MAGIC monthly; however, there were several months that the activity was not recorded into MAGIC timely. The Funds, year-end GAAP adjustments were noted to be large transactions summarizing the detailed transactions input into QuickBooks. These large transactional journal entries do not contain sufficient detail to adequately describe and define the accounting transactions, and do not provide an adequate audit trail for the recording of assets and transactions.

**Cause of Condition**

Lack of effective internal control activities dictating reconciliations of accounting data be timely and detailed in order to ensure accuracy and reliability.

**State of Mississippi Department of Corrections**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**Finding 2020-022 (Continued)**

**Effect of Condition**

Failure to record transactions timely into MAGIC may result in transactions not being properly recorded in statewide accounting system, MAGIC, and not included in the Funds' fiscal year financials statements. Additionally, use of the Quickbooks system as an accounting system allowed personnel of the Funds to circumvent the established controls inherent in the MAGIC system.

**Recommendation**

The Funds' should ensure compliance with state laws and rules and regulations set forth by the Mississippi Department of Finance and Administration over accounting systems. Additionally, we recommend that any third party accounting systems utilized are properly reconciled on a monthly basis with detailed transactional journal entries and timely recording of transactions into MAGIC.

**Agency Response**

MDOC will identify agency managed bank accounts that will serve as depository for self-generated funds or custodial funds not required by law to be deposited in the State Treasury in accordance with Mississippi Code Annotated Section 7-7-59; and collection or clearing account for funds required by law to be deposited in the State Treasury in accordance with Mississippi Code Annotated Section 7-9-12. The agency will submit the appropriate Agency Bank Account Request Form to the Department of Finance and Administration for approval on all agency managed bank accounts and update change requests as necessary. The agency will ensure all transactions are reconciled on a monthly basis.



**STATE OF MISSISSIPPI**  
**MISSISSIPPI DEPARTMENT OF CORRECTIONS**  
**Burl Cain, Commissioner**

**FINANCIAL AUDIT FINDINGS**

**May 11, 2021**

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

Dear Mr. White:

The Mississippi Department of Corrections has received Financial Audit from Carr, Riggs & Ingram, LLC for fiscal year end June 30, 2020. In my capacity as the Commissioner of MDOC, I have conducted staff meetings with our executive team in order to adequately address any deficiencies and/or instances of non-compliance revealed in the audit. MDOC has worked tirelessly since February to address and has already corrected many of the findings stated in your report. MDOC has established its new vision as an honorable, innovative, and fiscally responsible professional organization.

With respect to your Financial Audit of the Mississippi Department of Corrections (MDOC), we offer the following comments:

**Finding 2020-018**

Repeat Finding: 2018

Finding Type: Material Weakness in Internal Controls Over Financial Reporting – GAAP Package

There were several instances of adjustments that were needed to properly state the financial statements due to lack of proper management review of key entries, accounts, and supporting worksheets used in Fund's GAAP Package Reporting process.

The Funds' process related to the accrual process for medical services accounted for in the Medical

Fund does not provide sufficient detail to support the accrual amount recorded. The accrual is determined at a point in time based on certain information; however, the information is not maintained. Additionally, complicating the accrual process is a significant lag time of receipt of the medical bills related to the services being performed. In reviewing the medical bills, the invoices related to medical services were posted sometimes four months from when the services were performed.

The Funds have several contractual relationships related to inmate services and the GAAP Packages did not accrue these invoices related to these services in the Private Prison Fund and Regional Prison Fund. The accrual process incorrectly indicated that these invoices were related to budget period 2021 as a result of a Senate Bill indicating that there were funds appropriated in 2021 to fund 2020 expenditures and therefore not included in the GAAP Package accruals. The Funds do not have documented evidence of controls over review of the monthly reporting package by management for all funds.

Additionally, the recordkeeping and organizational system of the underlying calculations and worksheets used in the GAAP Package Reporting process is disorganized and not conducive to easy supervisory review and approval.

#### **Agency and Corrective Action Plan**

Management has already changed the process for completing transactions in MAGIC. Support documentation will consist of all line items associated with transactions and support the total amount of the transaction prior to approval. The Director of Fiscal Affairs will be the final approval on these transactions and ensure supporting detail is attached in MAGIC.

The Accounting Department will work with the Medical Compliance Department to develop a monthly report identifying all offenders' incurring medical bills on a monthly basis. The Accounts Payable Team will cross-reference the monthly report with monthly payments to identify outstanding invoices for research and follow-up. This will ensure invoices are processed timely.

The agency has implemented a process in which all fund transfers are reconciled and processed on a monthly basis with support documentation uploaded in MAGIC.

#### **Finding 2020-019**

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls Over Financial Reporting –Premier Supply Link, LLC

The Funds has contracted with Premier Supply Link, LLC (Premier) to provide canteen services to the Funds' inmates statewide. The contract is a net-of-fee contract whereby Premier provides canteen services and the Fund is compensated based on a determined percentage of the retail sales of canteen items to the Funds' inmates. The Funds rely on Premier invoices and supporting documentation related to retail sales to determine the Funds' compensation accounted for in the Inmate Welfare Fund. There is no review of Premier's monthly calculation of the Funds' compensation and verification of the retail sales and supporting documentation.

### **Agency and Corrective Action Plan**

The agency will enforce MDOC Policy 02-10, Canteen Operations, which stipulates canteen funds will be independently audited and require annual financial status report. The agency will look into amending the terms of the contract with Premier Supply Link, LLC to include sufficient language stipulating the agency's discretion to audit financial records and require retention of such records for a specified period of time. The agency is in the process of hiring an internal auditor whose duties will include a monthly review of the review of canteen services compensation and annual financial status report.

The agency will consider requirement of the Service Organization Control (SOC) 1 report to provide independent verification of adequacy of vendor's system of controls.

#### **Finding 2020-020**

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls over Financial Reporting and Noncompliance with State Laws – Contractual Services

The Fund has contracted with several different entities to provide residential services to the Funds' inmates. The contract fee is based on inmates assigned to the facility as established by the Midnight Strength Report. The contract fees allow for a minimum guarantee based on levels of inmate population as established by the contract and then additional fee for populations being serviced over the population covered by the minimum guarantees.

We reviewed several invoices related to the contractual payments and noted the following discrepancies, while these items were not material, they indicate lack of detailed review to provide assurance that payments were proper for the Private Prison Fund and Regional Prison Fund:

- The total fee on the invoices for a facility was based on daily inmate population at a determined per diem rate except for the 14<sup>th</sup> day on the invoice that had a different per diem rate.
- Several invoices did not calculate that the total amount correctly but were still paid at the amount due on the invoice.
- Invoices that the check was written for an amount more than the total amount due on the invoice without any adjustment noted on the invoice indicating a different amount was due.
- Invoices based on inmate populations that were different then the Midnight Strength Report.
- Invoice which noted the inmate population was for the period April 2020 but the detail of the inmate population by day had dates of March 2020.

In addition, we reviewed all the contracts utilized by the Funds and noted the Funds did not issue a purchase order for a contractual purchase to ensure final payment of invoice. Utilizing purchase orders is a requirement in the MAAPP Manual and also serves as a control in the statewide accounting system (MAGIC) to ensure contracts are not overpaid.

### **Agency and Corrective Action Plan**

MDOC has addressed finding through staff training. Accounts Payable staff will be required to reference contract number on vendor invoice, verify mathematical computations, initial and date invoice indicating verification of rates consistent with contract per diem and/or minimum guarantee rates; verify funds are available on contract and attach the verified invoice in MAGIC.

The agency will enforce its discretion to audit financial records on an annual basis and require retention of such records for a specified period of time. The agency is in the process of hiring an internal auditor whose duties include audit of contractors' financial records and annual financial status report.

#### **Finding 2020-021**

Finding Type: Material Weakness in Internal Controls Over Financial Reporting -Segregation of Duties

The accounting director for the Funds' has the ability to set up a new vendor and authorize a payment.

### **Agency Response and Corrective Action Plan**

MDOC has reviewed accounting procedures and strengthened controls to ensure proper segregation of duties over the cash disbursements process.

#### **Finding 2020-022**

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls over Financial Reporting and Noncompliance with State Law - QuickBooks

### **Condition**

MDOC utilizes QuickBooks accounting software for funds received as well as transfers made between funds. QuickBooks is utilized as a clearing account by MDOC to record receipt transactions and then checks are cut to the State Treasury to move the funds from a MDOC account into a State Treasury account. The account currently has \$27,148 balance and for fiscal year June 30, 2020 had approximately \$8.2 million of receipts, \$8.1 million of checks cut to State Treasury and \$117,000 of checks cut to various vendors. The checks cut to vendors do not specify the fund to which the activity is related nor is it easily determinable whether the activity has been recorded into MAGIC. The Funds reconcile amounts entered into QuickBooks accounting software to MAGIC monthly; however, there were several months that the activity was not recorded into MAGIC timely. The Funds, year-end GAAP adjustments were noted to be large transactions summarizing the detailed transactions input into QuickBooks. These large transactional journal entries do not contain sufficient detail to adequately describe and define the accounting transactions, and do not provide an adequate audit trail for the recording of assets and transactions.

### **Agency Response and Corrective Action Plan**

MDOC will identify agency managed bank accounts that will serve as depository for self-generated funds or custodial funds not required by law to be deposited in the State Treasury in accordance with Mississippi Code Annotated Section 7-7-59; and collection or clearing account for funds required by law to be deposited in the State Treasury in accordance with Mississippi Code Annotated Section 7-9-12. The agency will submit the appropriate Agency Bank Account Request Form to the Department of Finance and Administration for approval on all agency managed bank accounts and update change requests as necessary. The agency ensure all transactions are reconciled on a monthly basis.

Sincerely,



Burl Cain, Commissioner