



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

07/13/2021

Single Audit Management Report

Dr. Thomas Dobbs, State Health Officer
Mississippi State Department of Health
570 East Woodrow Wilson Dr.
Jackson, MS 39216

Dear Dr. Dobbs:

Enclosed for your review are the single audit findings and other audit findings for the Mississippi Department of Health for Fiscal Year 2020. In these findings, the Auditor's Office recommends the Mississippi State Department of Health:

Single Audit Findings:

1. Strengthen Controls to Ensure Compliance with Procurement, Suspension, and Debarment Requirements.
2. Strengthen Controls to Ensure the Schedule of Federal Expenditures is Prepared with Proper and Accurate Information; and that Federal Reporting Agrees with the Underlying Financial Records of the Agency.
3. Strengthen Controls Over Documentation to Ensure Compliance with Eligibility Requirements.

Please review the recommendations and submit a plan to implement them by 07/21/2021. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance on each major federal program and the results of that testing based on the requirements of Office of Management and Budgets *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Mississippi State Department of Health

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I hope you find our recommendations enable the Mississippi State Department of Health to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Department of Health throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

Stephanie Palmertree

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

Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi State Department of Health for the year ended June 30, 2020. The Office of the State Auditor's staff members participating in this engagement included Managers, Supervisors, and Field Auditors.

Our procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. In accordance with *Section 7-7-211, Mississippi Code Annotated (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Report on Compliance for Each Major Federal Program

We have audited the Mississippi State Department of Health's compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Uniform Guidance Compliance Supplement* that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi State Department of Health for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Uniform Administrative Requirement, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and *OMB Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mississippi State Department of Health's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. However, our audit does not provide a legal determination of the Mississippi State Department of Health's compliance.

Results of Compliance Audit Procedures

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with *OMB Uniform Guidance* and which are identified in this letter as items 2020-037, 2020-038, and 2020-039.

Internal Control over Compliance

Management of the Mississippi State Department of Health is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mississippi State Department of Health's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with *OMB Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal

control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mississippi State Department of Health's internal control over compliance.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control identified in this letter as items 2020-037, 2020-038, and 2020-039 to be material weaknesses.

Findings and Recommendations

PROCUREMENT, SUSPENSION, DEBARMENT

Material Weakness

Material Noncompliance

2020-037 The Mississippi Department of Health Should Strengthen Controls to Ensure Compliance with Procurement, Suspension, and Debarment Requirements.

CFDA Number(s) 10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)

Federal Award	2014CW200145	201717WI00345	201818W500345
	2014IW00345	201717WI00645	201818WI00245
	2014IW00645	201717W500345	201818WI00345
	2014IW500345	201717WI00245	201818WI00645

	201918WI00245	202019WI00245
	201918WI00345	202019WI00345
	201918WI00645	202019WI00645
	201919WI00345	202020WI00345
	201919WI00645	202020WI00645

Federal Agency United States Department of Agriculture

Pass-through Entity N/A

Questioned Costs N/A

Criteria *The Code of Federal Regulations (2 cfr § 180.300)* states when the non-federal entity enters into a covered transaction with another entity or person at the next lower tier, the entity must verify that the entity or person with whom you intend to do business is not excluded or disqualified from receiving federal funds. This is accomplished by the following actions:

- a) Checking SAM Exclusions; or
- b) Collecting a certification from that person; or
- c) Adding a clause or condition to the covered transaction with that person.

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) define control activity as a component of internal control. To properly execute this component, management should review applicable award agreements, contracts, budgets, and other appropriate sources to identify potential covered transactions. Standard forms or templates are used to document verification that parties are not suspended or debarred.

Condition During testwork for procurement, suspension, and debarment, the auditor noted that 17 out of 40 (42.5%) vendors that were tested lacked a DUNS number or other identifying information in SAM.gov. Due to the lack of identifying information, auditor was unable to verify if vendors were suspended, debarred, or otherwise excluded by the federal government from receiving federal funds. Additionally, the Mississippi State Department of Health (MSDH) allowed vendors to self-certify that they were not suspended or debarred. Lastly, MSDH did not perform satisfactory reviews to ensure all vendors were properly allowed to receive federal monies during the vendor selection process.

Cause Agency relied on vendor’s certification that they are not suspended or debarred without independently verifying status to SAM.gov.

Effect MSDH Health could contract with vendors whom are suspended or debarred. Payments to suspended or debarred vendors would be disallowed, requiring management to terminate contract midway. Additionally, it could cause loss of federal funding for projects.

Recommendation The Mississippi Department of Health should strengthen controls to ensure compliance regarding suspension and debarment by properly reviewing vendors before selection, and by performing required steps to ensure all vendors are not suspended and/or debarred before contracting.

Repeat Finding: No.

Statistically Valid: This sample is considered statistically valid.

REPORTING

Material Weakness

Material Noncompliance

2020-038 The Mississippi Department of Health Should Strengthen Controls to Ensure the Schedule of Federal Expenditures is Prepared with Proper and Accurate Information and that Federal Reporting Agrees with the Underlying Financial Records of the Agency.

CFDA Number 10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)
93.268 Immunization Cooperative Agreements

Federal Award	2014CW200145	201717WI00345	201818W500345
	2014IWI00345	201717WI00645	201818WI00245
	2014IWI00645	201717W500345	201818WI00345
	2014IW500345	201717WI00245	201818WI00645
	201918WI00245	202019WI00245	2015 6NH23IP000790-05-00
	201918WI00345	202019WI00345	2015 6NH23IP000790-05
	201918WI00645	202019WI00645	2019 1NH23IP922605-01-00
	201919WI00345	202020WI00345	2019 1NH23IP922605-01
	201919WI00645	202020WI00645	

Federal Agency United States Department of Agriculture
United States Department of Health and Human Services

Pass-through Entity N/A

Questioned Costs N/A

Criteria *The Code of Federal Regulations (2 cfr §200.510(b))* states, in part “the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502.”

Code of Federal Regulations (2 cfr §200.502(a)) states, in part, “the determination of when a federal award is expended must be based on when the activity related to the Federal award occurs.”

The Code of Federal Regulations (2 cfr §200.345(a)(2)) states, in part, that the close out process of a federal award does not negate “the requirement for the non-Federal entity to return any funds due as a result of later refunds, corrections, or other transactions including final indirect cost rate adjustments.”

The Code of Federal Regulations (2 cfr §200.346) states “Any funds paid to the non-Federal entity in excess of the amount to which the non-Federal entity is finally determined to be entitled under the terms of the Federal award constitute a debt to the Federal Government.”

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) define control activity as one of the five components of internal control. Periodic reconciliations and reviews of information are key elements in establishing successful control over compliance of federal monies. Additionally, COSO lists another component of internal control as information and communication. Intra-agency communication between financial reporting and programmatic reporting divisions, and then the reconciliation of information between those two divisions is a vital part of any overall control environment. Additionally, good internal controls over compliance of federal monies requires

that all federal reporting agree to the information contained in the agency's underlying accounting records.

Condition

Based on testing of the grant schedule, auditor noted the Mississippi Department of Health (MSDH) attempted to perform a multi-year "clean up" of the grant schedule by removing previous years "due to federal government" and "due from federal government" balances. In order to remove these existing balances from the calculated grant schedule, MSDH entered expenditures (or a credit of expenditures) in a corresponding amount to the liability and receivable balances in order to "zero out" any existing balances. However, the expenditures were not supported by the underlying financial records; nor were the expenditures factual. When auditor inquired about the expenditures, MSDH stated that they were needed to remove the due to/due from balances, and that the expenditures were not actually booked expenditures in the underlying financial records. The grants in question were closed grants that did not have any open demands. Auditor reviewed federal records and the programmatic reports created by the agency's programmatic divisions and determined that, as per federal policy, any amounts of overpayments that were paid to MSDH has been deducted from the subsequent drawdowns of the federal programs; and that no due to balances on those grants actually existed. Additionally, all closed grants with receivable balances were not allocated any additional federal monies, that the expenditures over and above the grant award were in fact state expenditures and not federal.

In summary, MSDH used the current year reporting of federal expenditures to reverse the due to and due from federal government account balance on the grant schedule, thereby over or understating current year expenditures. Total over/under stated balances included:

- Immunization Cooperative Agreements, CFDA 93.268, expenditures understated by \$109,244; and
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557, expenditures were overstated by \$2,434,837.

Due to the net overstatement of the two programs being audited, the Auditor performed a cursory review of the grant schedule to include grants with expenditures greater than \$750,000. Based on the review, MSDH improperly credited total federal expenditures in the amount of \$13,457,399 and debited expenditures for \$19,374,803 for a net overstatement of expenses totaling \$5,917,404. It is important to note that the expenditures were created solely for the cleanup of the grant schedule and were not actually recorded in the underlying financial records of the agency. However, the net financial statement effect was a net overstatement of the due to federal government liability in the corresponding amount of \$5,917,404.

Cause

Agency personnel applied improper accounting procedures to the schedule of expenditures of Federal awards.

Effect

Grants that are overdrawn could result in federal authorities requiring the agency to refund the excess amounts or could reduce future draws against the program, requiring the state to make up the difference in funding. In addition, the current year expenses for grants are over/understated.

Recommendation The Mississippi Department of Health should strengthen controls to ensure the proper reporting of federal expenditures in their grant schedule.

Repeat Finding: No.

Statistically Valid: This sample is not considered statistically valid.

ELIGIBILITY

Material Weakness

Material Noncompliance

2020-039 The Mississippi Department of Health Should Strengthen Controls Over Documentation to Ensure Compliance with Eligibility Requirements.

CFDA Number(s) 10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)

Federal Award	2014CW200145	201717WI00345	201818W500345
	2014IWI00345	201717WI00645	201818WI00245
	2014IWI00645	201717W500345	201818WI00345
	2014IW500345	201717WI00245	201818WI00645
	201918WI00245	202019WI00245	
	201918WI00345	202019WI00345	
	201918WI00645	202019WI00645	
	201919WI00345	202020WI00345	
	201919WI00645	202020WI00645	

Federal Agency United States Department of Agriculture

Pass-through Entity N/A

Questioned Costs N/A

Criteria *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) define control activities as a component of internal control. Effective control activities dictate that sufficient supporting documentation be maintained.*

Condition During audit of eligibility requirements for the WIC program at the Mississippi State Department of Health, auditor noted that the agency is not maintaining any supporting documentation for applicant's income and residency verification process. The lack of supporting documentation would not allow for supervisors to properly review applicants' eligibility information in the normal course of duty. Additionally, lack of documentation also resulted in an improper audit trail. Auditor could not verify the accuracy of eligibility determinations made for any participant during fiscal year 2020.

Cause Agency did not maintain proper supporting documentation to determine income and residency requirements.

Effect Ineligible individuals could receive WIC benefits.

Recommendation The Mississippi Department of Health should strengthen controls to ensure adequate documentation is maintained relating to eligibility requirement, and that proper reviews are performed and documented.

Repeat Finding: No.

Statistically Valid: This sample is considered statistically valid.

End of Report



MISSISSIPPI STATE DEPARTMENT OF HEALTH

SINGLE AUDIT FINDINGS

July 20, 2021

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

Dear Mr. White:

We have reviewed the audit findings below in reference to the Mississippi State Department of Health 2020 fiscal year audit. Listed below is our individual response and plan for corrective action:

Audit Findings:

CFDA Number: 10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)

Requirement: Procurement, Suspension, Debarment

2020-037 The Mississippi Department of Health Should Strengthen Controls to Ensure Compliance with Procurement, Suspension, and Debarment Requirements

Response: The agency concurs we do not obtain the DUNS number for contractual agreements. We only obtain the DUNS number for subgrant agreements. However, all agency standard contracts and subgrant agreements contain a certification page where the vendor certifies they are not suspended or debarred from receiving federal funds.

Corrective Action: MSDH will review the contracting process and determine how to best capture the DUNS number and determine if vendors are suspended or debarred.

Name of contact person responsible for corrective action: Sharon Dowdy

Anticipated completion date of corrective action: December 2021

CFDA Number: 10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)
93.265 Immunization Cooperative Agreements

Requirement: Reporting

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Equal Opportunity in Employment/Services

2020-038 The Mississippi Department of Health Should Strengthen Controls to Ensure the Schedule of Federal Expenditures is Prepared with Proper and Accurate Information and that Federal Reporting Agrees with the Underlying Financial Records of the Agency.

Response: The agency concurs we were adjusting federal expenditures on the grant schedule in order to remove closed grants from the schedule.

Corrective Action: MSDH will review the process of preparing the grant schedule. We will consult with the Department of Finance and Administration on how to remove closed grants from the schedule, if necessary.

Name of contact person responsible for corrective action: Sharon Dowdy

Anticipated completion date of corrective action: December 2021

CFDA Number: 10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)

Requirement: Eligibility

2020-039 The Mississippi Department of Health Should Strengthen Controls Over Documentation to Ensure Compliance with Eligibility Requirements.

Response: The agency concurs we do not maintain the supporting documentation reviewed to verify an applicant's income and residency. However, USDA-FNS is aware of this and has stated our documentation and retention is consistent with regulatory requirements. They have also acknowledged that if a State deems it impractical to scan and retain the actual documents in the case file (SPIRIS), then a notation in the case file is acceptable.

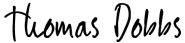
Corrective Action: MSDH will review the eligibility process and determine how we can retain the supporting documentation reviewed.

Name of contact person responsible for corrective action: Diane Hargrove

Anticipated completion date of corrective action: December 2021

Should you have any questions regarding our response or corrective action plan, please feel free to contact Sharon Dowdy, 601-576-7359.

Sincerely,

DocuSigned by:

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Thomas E. Dobbs III, M.D., M.P.H.
State Health Officer