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State of Mississippi Department of Public Safety

FINANCIAL STATEMENTS OF FUNDS SELECTED FOR AUDIT

June 30, 2020

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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

Commissioner Sean Tindell State of Mississippi Department of Public Safety Jackson, Mississippi

Report on the Financial Statements of Funds Selected for Audit

We have audited the accompanying financial statements of the State Treasury Funds 2271100000, and 3371600000 of the State of Mississippi, Department of Public Safety (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.

Basis for Qualified Opinion on State Treasury Fund 3371600000

We did not observe the taking of physical inventories at June 30, 2020, stated at \$1,311,453, since the date was prior to the time we were initially engaged as auditors for The State Treasury Fund 3371600000 of the State of Mississippi, Department of Public Safety. We were unable to obtain sufficient appropriate audit evidence about the State Treasury Fund 3371600000 inventory quantities by other audit procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion on State Treasury Fund 3371600000 paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the State Treasury Fund 3371600000 of the State of Mississippi, Department of Public Safety 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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Treasury Fund 2271100000 of the State of Mississippi, Department of Public Safety 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 2271100000, and 3371600000 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 Public Safety 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 contest. 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 12, 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.

Can, Rigge & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi February 12, 2021

State of Mississippi Department of Public Safety Balance Sheets of Funds Selected for Audit

		General Fund		Driver Service ees Funds
June 30, 2020	2	271100000	33	371600000
Assets Cash	÷	1 707 005	ć	004 047
Accounts receivable	Ş	1,707,985	Ş	884,847
Due from other funds				1,923,621 762,248
Inventory				
				1,311,453
Total Assets	\$	1,707,985	\$	4,882,169
Liabilities and Fund Balances Liabilities				
Accounts payable	\$	3,840	Ś	938,320
Due to local governments	,	1	,	4,514
Due to component units				52
Due to other funds		22,487		891,857
Total Liabilities		26,327		1,834,743
Fund Balances				
Unassigned		1,681,658		-
Nonspendable - inventories		9		1,311,453
Restricted for law enforcement				1,735,973
Total Fund Balances		1,681,658		3,047,426
Total Liabilities and Fund Balances	\$	1,707,985	\$	4,882,169

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

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

June 30, 2020	General Fund 2271100000	Driver Service Fees Funds 3371600000
Revenues	22/1100000	337100000
Licenses, fees and permits	\$	\$ 6,629,660
Charges for supplies/services to outside entities		57,691
State appropriation	68,302,455	-
Sales of personal property	-	337,403
Insurance recovery)÷	99,281
Other income, net		1,805
Total Revenues	68,302,455	7,125,840
Expenditures		
Salaries and wages	65,663,727	1,849,152
Travel	37,566	404,645
Contractuals	660,712	8,993,957
Commodities	1,604,659	5,304,117
Subsidies		47
Capital outlay	2,718	39,073
Total Expenditures	67,969,382	16,590,991
Excess of Revenues		
Over (Under) Expenditures	333,073	(9,465,151)
Other Financing Sources (Uses)		
Transfers in	1,347,775	9,843,724
Transfers out	-	(1,440,713)
	1,347,775	8,403,011
Net Change in Fund Balances	1,680,848	(1,062,140)
Fund Balances, Beginning of Year	810	3,584,566
Restatement		525,000
Fund Balances, Beginning of Year - Restated	810	4,109,566
Fund Balances, End of Year	\$ 1,681,658	\$ 3,047,426

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The State of Mississippi Department of Public Safety, an agency of the State of Mississippi, follows fund accounting with respect the State Treasury Funds 2271100000, and 3371600000 of the State of Mississippi, Department of Public Safety (the "Funds") and pursuant to applicable state statutes. The accompanying selected fund financial statements of the Mississippi Department of Public Safety 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 applies 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 the Funds.

The General Fund receives and expends appropriations each year from the State of Mississippi. The Driver Service Fees Fund is used by the Funds to account for revenues and fees related to driver's license issuances and other driver service fees. Revenues generated from this fund are used to defray the operating costs of the Division of Highway Safety Patrol and to cover costs associated with generating photo licenses.

Measurement Focus and Basis of Accounting

Both 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 considers 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.

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 public searches of motor vehicle registrations. 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 on 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. Transfers between governmental or business-type funds are funds are netted as part of the reconciliation to the government-wide presentation.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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 has by resolution authorized 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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances – Governmental Funds (Continued)

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.

Revenues and Expenditures

Revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the Funds and state appropriation which are funds appropriated by the State of Mississippi for the Funds. Expenditures include the cost of sales and services and administrative costs.

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 12, 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: RESTATEMENT OF BEGINNING BALANCES

The beginning fund balance of the State Treasury 3371600000 has been restated on the fund financial statement to record a prior period adjustment to correct revenue recorded in prior years. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the State Treasury 3371600000 is as follows:

Beginning fund balance	\$ 3,584,566
Adjustment to correct driver service license, fees and permits revenues	525,000
Beginning fund balance, as restated	\$ 4,109,566

The above adjustment increased the change in fund balance \$525,000 for the prior year and had no impact on the current year change in fund balance.

Note 3: 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.

Note 4: 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 and the Mississippi Highway Safety Patrol Retirement System (MHSPRS), a single-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.

That 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 MHSPRS rates are 7.25% for the troopers and the Funds' contribution rate is 49.08% for June 30, 2020. The contribution requirements for PERS and MHSPRS are established in accordance with actuarial contribution requirements determined through actuarial valuation and adopted by the PERS Board or MHSPRS Administrative Board.

Note 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

		Due fror	m Fı	und
June 30, 2020	227	1100000	33	71600000
Due from funds within the Department	\$		\$	762,248
Totals	\$		\$	762,248
		Due to	Fur	nd
June 30, 2020	227	Due to /1100000		nd 371600000
June 30, 2020	227			
June 30, 2020 Due to funds within the Department	227 \$	1100000		

Note 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

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:

	Transfers from Fund
June 30, 2020	2271100000 3371600000
E	
Transfers within the Department Funds	\$ - \$ 1,440,713
Totals	\$ - \$ 1,440,713
June 30, 2020	Transfers to Fund 2271100000 3371600000
June 30, 2020 Transfers within the Department Funds	

Interfund transfers are primarily used to move revenues from funds required to collect them to funds required to expend them.

Note 6: 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 7: 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 Sean Tindell State of Mississippi Department of Public Safety 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 2271100000, and 3371600000 of the State of Mississippi, Department of Public Safety, (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 12, 2021. Our report qualified an opinion on State Treasury Fund 3371600000. We did not observe the taking of physical inventories at June 30, 2020, stated at \$1,311,453, since the date was prior to the time we were initially engaged as auditors for The State Treasury Fund 3371600000 of the State of Mississippi, Department of Public Safety. We were unable to obtain sufficient appropriate audit evidence about the State Treasury Fund 3371600000 inventory quantities by other audit procedures. 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 item 2020-015 and 2020-016 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Funds Response to Findings

The Funds' responses to the findings identified in our audits are described in the accompanying schedule of findings and questioned costs. 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.

Can Rigge & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi February 12, 2021

State of Mississippi Department of Public Safety Schedule of Findings and Responses June 30, 2020

Finding 2020-015 Repeat Finding: No Finding Type: Material Weakness In Internal Control

<u>Criteria</u>

Proper inventory accountability requires detailed records be maintained in order to properly report inventory. Management should have written policies and procedures in place to ensure accurate physical inventory count and records.

Condition

There was not sufficient inventory records to substantiate the inventory transactions during the fiscal year.

Cause of Condition

There are no written policies and procedures or controls in place to ensure proper authorization and accountability for all inventory transactions. There were informal procedures that were being performed however the procedures were not consistently being performed throughout the year.

Effect of Condition

The lack of policies and procedures or controls over inventory transactions leads to unreliable information and impairs the Funds' ability to (1) know the quantity and value of assets it owns, (2) safeguard its assets from physical deterioration, theft, loss, or mismanagement, (3) prevent unnecessary storage and maintenance costs or purchase of assets already on hand.

Recommendation

Management should implement written policies and procedures and controls to help ensure proper authorization and accountability for all inventory transactions.

Agency Response

DPS acknowledges the finding regarding inventory records. The agency will draft and implement written policies and procedures to ensure inventory is properly maintained.

Finding 2020-016 Repeat Finding: No Finding Type: Material Weakness In Internal Control

<u>Criteria</u>

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 function 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 and accounts.

- 1. An entry of \$1,347,775 related to accounts payable created a debit balance of \$895,081 in an accounts payable account in fund 3371600000 in the GAAP Package Reporting.
- 2. An entry of \$525,000 related to bank reconciliation for variances occurring in 2013 and 2014 was recorded as current year revenue rather than a prior period adjustment.
- 3. An entry of \$485,626 related to unrecorded liabilities for amounts paid during the lapse period relating to fiscal year ended June 30, 2020. The unrecorded liabilities relate to transactions paid during the lapse period but were not accrued and the transactions only relate to the WE document type identified in the system.

Cause of Condition

The current policies and procedures do not provide for sufficient detailed level of supervisory review and approval of the underling and supporting information used in the GAAP Package Reporting and key entries.

Effect of Condition.

Audit adjustments were needed to properly state the revenue, expenditures and transfer in/out. The audit adjustments were as follows:

- 1. \$1,347,775 was made to accounts payable that crossed between the selected funds (2271100000 and 3371600000) which adjusted accounts payable and transfer in/out.
- 2. \$525,000 was made to revenue to record the revenue as a prior period adjustment.
- 3. \$485,626 was made to properly accrue expenditures paid after year end relating to fiscal year June 30, 2020.

State of Mississippi Department of Public Safety Schedule of Findings and Responses June 30, 2020

Recommendation

Management should implement a more detailed process for the review and approval of GAAP Package Reporting and key entries. As part of the process, the supporting information should be reviewed and approved at a sufficiently detailed level to allow management to detect and prevent errors in a timely manner.

Agency Response

DPS acknowledges the finding regarding internal controls over financial reporting. The agency will implement additional procedures which will require the Deputy Commissioner of Finance and the Commissioner of DPS to approve of the GAAP package prior to its annual submission.



STATE OF MISSISSIPPI TATE REEVES, GOVERNOR DEPARTMENT OF PUBLIC SAFETY SEAN J. TINDELL, COMMISSIONER

FINANCIAL AUDIT FINDINGS

February 12, 2021

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

Dear Mr. White:

Please see our response and corrective action plan for the financial audit findings related to the June 30, 2020 financial statement audit.

AUDIT FINDINGS:

2020-015 Inventory - Material Weakness In Internal Control

Response: The State of Mississippi Department of Public Safety concurs with the audit finding.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation: The State of Mississippi Department of Public Safety will draft and implement written policies and procedures to ensure inventory is properly maintained.
- B. Name of the contact person responsible for corrective action: Alison Brown, Comptroller
- C. Anticipated completion date for corrective action: June 30, 2021

2020-016 Financial Reporting - Material Weakness In Internal Control

Response: The State of Mississippi Department of Public Safety concurs with the audit finding.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation: The State of Mississippi Department of Public Safety will implement additional procedures which will require the Deputy Commissioner of Finance and the Commissioner of the State of Mississippi Department of Public Safety to approve the generally accepted accounting principal package prior to its annual submission to the State of Mississippi Department of Finance and Administration for recording the year end adjustments.

Shad White, State Auditor Office of the State Auditor Page 2 of 2 February 12, 2021

- B. Name of the contact person responsible for corrective action: Steven McDevitt, Deputy Commissioner, Finance
- C. Anticipated completion date for corrective action: June 30, 2021

Repectfully,

Sean J. Tindell Commissioner MS Department of Public Safety