



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

November 3, 2022

Single Audit Management Report

Andy Gipson, Commissioner of Agriculture and Commerce
Mississippi Department of Agriculture and Commerce
P.O. Box 1609
Jackson, MS 39215

Dear Commissioner Gipson:

Enclosed for your review is the single audit findings for the Mississippi Department of Agriculture and Commerce for Fiscal Year 2021. In these findings, the Auditor's Office recommends the Mississippi Department of Agriculture and Commerce:

Single Audit Findings

1. Strengthen Controls to Ensure Compliance with Allowable Costs and Activities Allowed Requirements for Coronavirus Relief Funds.

Please review the recommendations and submit a plan to implement them by November 14, 2022. 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 Budget's 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.

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

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree".

Stephanie C. Palmertree, CPA, CGMA
Deputy State Auditor
Office of the State Auditor
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 Department of Agriculture and Commerce the year ended June 30, 2021.

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 Department of Agriculture and Commerce'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 Department of Agriculture and Commerce for the year ended June 30, 2021.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and *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 Department of Agriculture and Commerce'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 Department of Agriculture and Commerce'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 *Uniform Guidance* and which are identified in this letter as items **2021-050**.

Internal Control over Compliance

Management of the Mississippi Department of Agriculture and Commerce 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 Department of Agriculture and Commerce'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 *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 Department of Agriculture and Commerce's internal control over compliance.

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 have not been identified.

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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 have not been identified. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned costs as items **2021-050** that we consider to be a material weakness.

Findings and Recommendations

ACTIVITIES ALLOWED / ALLOWABLE COSTS

Material Weakness

Material Noncompliance

2021-050 Strengthen Controls to Ensure Compliance with Allowable Costs and Activities Allowed Requirements for Coronavirus Relief Funds.

ALN Number 21.019

Federal Award No. N/A

Federal Agency Department of Treasury

Pass-through Entity Department of Finance and Administration – Prime Recipient

Questioned Costs \$244,457

Criteria The Mississippi State Legislature established the Mississippi Agriculture Stabilization Act (MASA) to be administered by the Mississippi Department of Agriculture and Commerce (MDAC) to assist Mississippi:

- Poultry farmers who have experienced a loss of at least one full flock of production due to the COVID-19 pandemic,
- Commodity producers who qualified for the USA Coronavirus Food Assistance Program (CFAP), and
- Sweet potato farmers for expenses due to the COVID-19 pandemic.

The CARES Act provides that payments from the Fund may only be used to cover costs that are: 1) necessary expenditures incurred due to the public health emergency with respect to COVID-19; 2) were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and 3) were incurred during

the period that begins on March 1, 2020, and ends on December 30, 2020 (later amended to 12/31/2021).

Grant applications require the grantee to confirm understanding that claims must be substantiated by independent evidence of costs associated with losses directly attributable to the COVID-19 pandemic.

Condition

During allowable costs testing for the Mississippi Department of Agriculture and Commerce, the auditor noted the following:

- 39 Coronavirus Food Assistance Program (CFAP) grant amounts totaling \$803,935 were selected for audit. Eighteen of the grants were either not substantiated by adequate support, support was not related to COVID-19, or were incurred outside of the grant period resulting in actual known questioned costs of \$188,351. When extrapolated against the entire population of CFAP grant payments, projected questioned costs of \$982,100 were noted.
- Four of the eight sweet potato grant payments audited were not properly supported. The grantee provided utility/storage fees for the period, but no documentation as to how much additional fees were incurred due to the pandemic. This resulted in actual known questioned costs of \$56,106. The auditor extrapolated the costs across the entire population of 19 sweet potato grants resulting in \$262,795 of projected questioned costs.
- The auditor selected 15 poultry grants totaling \$503,837 for testing. Wording in the Mississippi Agriculture Stabilization Act (MASA) were ambiguous and did not clearly define “full flock loss”. As a result, the auditor was unable to calculate the appropriate grant amount. As the “full flock loss” was a state requirement only, the auditor is not questioning the costs related to the poultry farmers.

Cause

The contractor responsible for reviewing documentation and supporting documentation for the grants relied primarily of “self-attestation” of the grantee.

Effect

Failure to maintain supporting documentation for eligibility determination could result in questioned costs and recoupment of costs by the federal granting agency.

Recommendation

We recommend the Mississippi Department of Agriculture and Commerce strengthen controls to ensure compliance with allowable costs and activities allowed requirements for Coronavirus Relief Funds.

Repeat Finding

No.

Statistically Valid

Yes.
