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# **Department of Corrections**

## **FINANCIAL STATEMENTS OF THE GENERAL FUND**

**June 30, 2021**

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# REPORT





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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements of General Fund**

We have audited the accompanying financial statements of the State Treasury General Fund of the State of Mississippi, Department of Corrections (the General Fund), as of and for the year ended June 30, 2021, and the related notes to the financial statements, as listed in table of contents.

### **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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 General Fund of the State of Mississippi, Department of Corrections as of June 30, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the State Treasury General Fund 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, 2021, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is 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 opinion on the financial statements is 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 11, 2022, on our consideration of the General Fund's 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 General Fund's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
February 11, 2022



# FINANCIAL STATEMENTS





**State of Mississippi Department of Corrections**  
**Balance Sheet of General Fund**

<i>June 30,</i>	<b>2021</b>
<hr/>	
<b>Assets</b>	
Cash	\$ 1,534,086
Equity in internal investment pool	28,136,463
Due from other funds	359,676
Accounts receivable	826,131
Inventory	4,706,373
<hr/>	
Total assets	\$ 35,562,729
<hr/>	
<b>Liabilities and fund balances</b>	
Liabilities	
Accounts payable	\$ 21,937,837
Warrant payable	1,263,563
Accrued wages payable	4,101,149
Due to other funds	353,708
Due to other components	1,161
Due to local governments	7,107,974
<hr/>	
Total liabilities	34,765,392
<hr/>	
Fund balances (deficit)	
Nonspendable	4,706,373
Unassigned	(3,909,036)
<hr/>	
Total fund balances (deficit)	797,337
<hr/>	
Total liabilities and fund balances	\$ 35,562,729
<hr/>	

*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 General Fund**

<i>Year ended June 30,</i>	<b>2021</b>
<b>Revenues</b>	
State appropriation/allotment	\$ 309,303,779
License, Fees and Permits	10,717,626
Charges for sales and services	759,410
Federal grants	146,038
Investment income	39,124
Other revenue	5,334,948
<b>Total revenues</b>	<b>326,300,925</b>
<b>Expenditures</b>	
Current	
Salaries	78,326,642
Travel	145,016
Contractual	211,673,329
Commodities	13,973,240
Subsidies	8,996,600
Debt service	
Principal	17,516,286
Interest and other charges	6,180,500
Capital outlay	5,421,275
<b>Total expenditures</b>	<b>342,232,888</b>
Excess of revenues over (under) expenditures	(15,931,963)
<b>Other financing sources (uses)</b>	
Transfers in	43,735,585
Transfers out	(7,740,367)
<b>Total financing sources (uses)</b>	<b>35,995,218</b>
Net change in fund balance	20,063,255
Fund balance (deficit), beginning of year	(19,265,918)
Fund balance (deficit), end of year	797,337

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

## **State of Mississippi Department of Corrections Notes to Financial Statements of General Fund**

### **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 General Fund of the State of Mississippi, Department of Corrections (the General Fund) and pursuant to applicable state statutes. The accompanying General 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 General Fund applies all applicable GASB pronouncements. However, the General Fund financial statements do not constitute a complete presentation because the General 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 General Fund financial statements may supplement rather than duplicate the notes included in the State of Mississippi's annual comprehensive financial report. The General fund represents the fund 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 General Fund is presented as a governmental fund type. 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 General Fund 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.

*The General Fund* – accounts for all activities of MDOC, an agency of the State of Mississippi, not specifically required to be accounted for in other funds. Transactions are related to law, justice and public safety.

#### ***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, 2021, 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 and supervision fees. 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, 2021.

## State of Mississippi Department of Corrections Notes to Financial Statements of General Fund

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

#### ***Inventories***

Inventories of supplies and materials are stated at cost, generally using the first-in/first-out method. Inventories of supplies and materials are recorded as expenditures when consumed rather than when purchased.

#### ***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.

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. Reimbursements are transactions in which 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 General Fund 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 General Fund’s 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* – the General 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 General Fund 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.

## State of Mississippi Department of Corrections Notes to Financial Statements of General Fund

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

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

*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 Fund's highest level of decision-making authority. The governing commissioner is the highest level of decision-making authority for the General Fund 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 General Fund 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 General Fund 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 General Fund.

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

Revenues in the General Fund 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 General Fund's current allotment, which is available to spend for the current fiscal year. Certain services may be provided to the General Fund at no charge based on management's discretion and funding availability.

#### ***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 11, 2022, 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.

## **State of Mississippi Department of Corrections Notes to Financial Statements of General Fund**

### **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 coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the General Fund. All deposited funds of the General Fund are fully collateralized in accordance with state statutes.

### **Note 3: DEFINED BENEFIT PENSION PLAN**

The General Fund contributes 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 General Fund participates 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 General Fund is 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 General Fund**

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

Interfund transfers for the year ended June 30, 2021, are as follows:

<i>Year ending June 30, 2021</i>			<b>Transfers In</b>
<i>Transfer In to MDOC General Fund:</i>	<i>Transfer In to MDOC General Fund from:</i>	<i>Description:</i>	
53551 - Central Office Grant Fund	Department of Finance and Administration	Grant funds	\$ 14,308
53551 - Central Office Grant Fund	Mississippi Department of Public Safety	Grant funds	97,353
53551 - Central Office Grant Fund	Mississippi Community College Board	Grant funds	3,464
53551 - Central Office Grant Fund	Mississippi Department of Education	Grant funds	327,635
53551 - Central Office Grant Fund	Mississippi Department of Health	Grant funds	45,198
53551 - Central Office Grant Fund	Mississippi Department of Health	Grant funds	81,923
53552 - Community Corrections Grant Fund	Mississippi Department of Public Safety	Grant funds	39,282
53553 - Central MS Grant Fund	Mississippi Department of Mental Health	Grant funds	137,258
53553 - Central MS Grant Fund	Mississippi Community College Board	Grant funds	67,748
53553 - Central MS Grant Fund	Mississippi Department of Education	Grant funds	53,925
53554 - Parchman Grant Fund	Mississippi Community College Board	Grant funds	16,306
53554 - Parchman Grant Fund	Mississippi Department of Education	Grant funds	140,381
53555 - South MS Grant Fund	Mississippi Department of Education	Grant funds	115,539
58201 - COVID-19 Grant Fund	Mississippi Department of Public Safety	Grant funds	111,708
64551 - Private Prison Capital Expense Fund	Office of the State Treasurer	Deficit Appropriation SB2965	5,507,734
6455A - Capital Expense Fund - Medical Program	Office of the State Treasurer	Deficit Appropriation SB2965	8,225,975
6455B - Capital Expense Fund - Regional Facilities	Office of the State Treasurer	Deficit Appropriation SB2965	5,310,823
6455C - Capital Expense Fund - Local Confinement	Office of the State Treasurer	Deficit Appropriation SB2965	2,626,170
68201551 - MDOC CARES Act COVID-19	Office of the State Treasurer	Coronavirus Relief Funds HB1728	20,000,000
68201552 - MDOC CARES Act Relief Fund	Department of Finance and Administration	Transfers per SB 3053	812,855
<b>Total</b>			<b>\$ 43,735,585</b>

## State of Mississippi Department of Corrections Notes to Financial Statements of General Fund

### Note 4: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

<i>Year ending June 30, 2021</i>			Transfers Out
<i>Transfer out from MDOC General Fund:</i>	<i>Transfer out from MDOC General Fund to:</i>	<i>Description:</i>	
68201551 - MDOC CARES Act COVID-19	Office of the State Treasurer	Coronavirus Relief Funds HB1728	\$ 6,495,091
22554 - Medical Services	Division of Medicaid	Medicaid medical services	381,060
22564 Central MS General Fund 2018	Department of Mental Health	Sewage payment	269,330
22566 - Community Corrections GF 2018	Department of Mental Health	Sewage payment	163,067
53555 - South MS Grant Fund	Mississippi Community College Board	Grant funds	24,248
88105 - Area Supervision Fees	Crime Victim Compensation	Supervision Fees Transfer per state statute 47-7-49	407,571
<b>Total</b>			<b>\$ 7,740,367</b>

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

### Note 5: CONTINGENCIES

The General Fund is 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 Fund 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 Fund.

### 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 Fund. 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.





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**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 General Fund of the State of Mississippi, Department of Corrections, which is comprised of the balance sheet as of June 30, 2021, and statement 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 11, 2022. Our report contains an *Emphasis of Matter* paragraph regarding the General Fund 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 audit of the financial statements, we considered the General Fund's 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 General Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the General Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the General Fund's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-005, that we consider to be a material weaknesses.

### **Compliance and Other Matters**

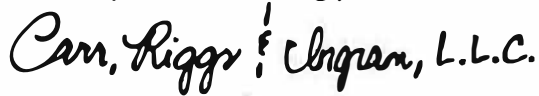
As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 General Fund's Response to Findings**

The General Fund's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The General Fund's 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 General Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi  
February 11, 2022

**State of Mississippi Department of Corrections**  
**Schedule of Findings and Responses**  
**June 30, 2021**

**Finding 2021-005**

Repeat Finding: 2020-019

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 the General Fund.

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

**Cause of Condition**

The General Fund's 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 General 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, 2021**

**Finding 2021-005 (Continued)**

**Agency Response**

The agency will enforce MDOC Policy 02-10, Canteen Operations, which stipulates canteen funds will be independently audited and require an annual financial status report. The contract with Premier Supply Link, LLC is currently in the RFP process for solicitation. In the new contract, MDOC is requiring the vendor have an independent annual audit of their financial records. The agency is still in the process of hiring an internal auditor to include a monthly review of canteen services compensation and the 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.



### **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 or any vendor awarded the contract 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 implementation procedures to obtain retail sales and supporting documentation for a monthly review of canteen services compensation.

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. Derrick Garner, the Chief of Fiscal Affairs and Budgeting will be contact person for corrective action plan changes at 601-359-5215. This change will be implemented January 1, 2023.

Sincerely,

A handwritten signature in black ink, appearing to read "Burl Cain", written in a cursive style.

Burl Cain, Commissioner