



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR

March 10, 2022

Financial Audit Management Report

Carey M. Wright, Ed.D, State Superintendent of Education
Mississippi Department of Education
P.O. Box 771
Jackson, MS 39205

Dear Dr. Wright:

Enclosed for your review are the financial audit finding for the Mississippi Department of Education for the Fiscal Year 2021. In this finding, the Auditor's Office recommends the Mississippi Department of Education:

1. Strengthen controls over the preparation of the Federal Grant Activity Schedule.

Please review the recommendation and submit a plan to implement it by March 21, 2022. The enclosed finding contains more information about our recommendation.

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Mississippi Department of Education'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 Mississippi Department of Education's internal control and compliance. Accordingly, this communication 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 recommendation enables the Mississippi Department of Education to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Education throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "Stephanie C. Palmertree", is positioned below the "Sincerely," text.

Stephanie C. Palmertree, CPA CGMA
Director, Financial Audit and Compliance Division
Enclosures

FINANCIAL AUDIT MANAGEMENT REPORT

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Education for the year ended June 30, 2021. These financial statements will be consolidated into the State of Mississippi's *Annual Comprehensive Financial Report*. 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.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. In accordance with *Section 7-7-211, Miss. Code Ann. (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.

Internal Control over Financial Reporting

In planning and performing our audit of selected accounts included on the financial statements of Mississippi Department of Education as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Mississippi Department of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on these accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Mississippi Department of Education'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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, identified in this letter as item **2021-006** that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Education 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 audit 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*.

Finding and Recommendation

SIGNIFICANT DEFICIENCY

2021-006 Strengthen controls over the preparation of the Federal Grant Activity Schedule.

Repeat Finding Yes; 2020-012.

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) specify that a satisfactory control environment is only effective when control activities exist. This includes a review performed to verify the accuracy and completeness of financial information reported.

The Mississippi Agency Accounting Policies and Procedures (MAAPP) manual Section 27.30.60 states, “The Federal Grant Activity schedule supports amounts reported on the GAAP packet for federal grant revenues, receivables, deferred revenues and expenditures. The schedule is also used for preparing the Single Audit Report required by the Single Audit Act...and the State’s audit requirements. The amounts on this schedule should be reconciled by the agency with amounts reported on federal financial reports.”

Condition The Mississippi Department of Education (MDE) did not update the Grant Schedule for all changes to grant amounts, grant numbers, and grant dates that occurred during the fiscal year. During testwork of the Grant Schedule, the auditor noted errors in the reporting for programs. Examples of these errors include:

- One instance in which the sub-grantees’ expenditures of \$20,064,934 were not properly captured on either the Subgrant Schedule form 27.30.70 or on the Grant Schedule form 27.30.60 in the column for amounts passed to sub-grantees.
- Two instances in which the grant number per the grant schedule did not agree to the grant number assigned to the federal award in Mississippi Accountability System for Government Information and Collaboration (MAGIC).
- Eight instances in which the grant award amount per the grant schedule did not agree with the grant award.
- Five instances in which the grant funding period end date reported on the grant schedule did not match the grant funding period end date per the grant award.
- One instance in which the cumulative expenditures for the federal subprogram per the grant schedule exceeded the allocated amount assigned by the agency to the federal subprogram within the block grant.
- Three instances in which the grant number reported on the grant schedule did not match to the grant number listed on the grant award.

Cause	MDE did not enforce proper internal control structures over the preparation of the Federal Grant Activity Schedule and allowed multiple errors in the schedule to remain undetected by agency personnel.
Effect	Without proper internal control structures over the preparation of the Federal Grant Activity Schedule, erroneous grant numbers, grant award amounts, and “Amount Passed to Subrecipients” could be reported on the Federal Grant Activity Schedule. In addition, the errors would be passed thru to the State’s Schedule of Federal Expenditures and could result in reporting errors on the State’s Single Audit Report.
Recommendation	We recommend the Mississippi Department of Education strengthen controls over the preparation of the Federal Grant Activity Schedule to ensure all grant award information and amounts reported are accurate and correct.

End of Report



MISSISSIPPI DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.
State Superintendent of Education

FINANCIAL AUDIT FINDINGS

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

March 21, 2022

Dear Mr. White:

In accordance with Financial Audit Management Audit Report dated March 10, 2022, the Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the financial audit finding for the fiscal year ending June 30, 2021.

AUDIT FINDINGS:

2021-006 Strengthen controls over the preparation of the Federal Grant Activity Schedule.

Response: The MDE concurs with the finding and noted the following:

- One out of fifty-three sub-grantees' expenditures were not recorded on the subgrant schedule or listed on the passed to subrecipients column on the grant schedule.
- Two out of eighty-nine MAGIC grant numbers on the grant schedule did not agree to MAGIC.
- Eight out of one hundred ten grant award amounts on the grant schedule did not agree to the grant award. These grants are closed with no federal expenditures as of June 30, 2021.
- Five out of one hundred fifteen grant period end dates reported on the grant schedule did not agree to the grant award.
- One out of one hundred seven cumulative expenditures for the federal subprogram per the grant schedule exceeded the allocated amount assigned by the agency to the federal subprogram within the block grant.
- Three out of one hundred forty grant numbers reported on the grant schedule did not agree to the grant award. Two of the three grants are closed with no federal expenditures as of June 30, 2021.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation.

The Executive Director of Accounting and the Executive Director of Grants Management will ensure controls are strengthened over the preparation and review process of the Schedule of Federal Awards and Subgrant Schedule form 27.30.70.

B. Name of the contact person responsible for corrective action.

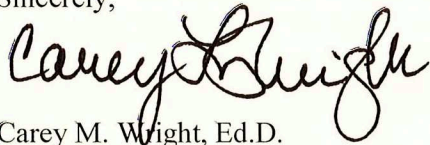
Sheila Franklin-Buie, Executive Director of Accounting
Elisha Campbell, Executive Director of Grants Management

C. Anticipated completion date for correction action.

August 31, 2022

If you have any questions, please contact Dr. Felicia Gavin at 601-359-5254.

Sincerely,

A handwritten signature in black ink, appearing to read "Carey M. Wright". The signature is fluid and cursive, with the first name "Carey" being more prominent.

Carey M. Wright, Ed.D.
State Superintendent of Education



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

October 12, 2022

Single Audit Management Report

Kim S. Benton, Ed.D.
State Superintendent of Education
Mississippi Department of Education
P.O. Box 771
Jackson, MS 39205

Dear Dr. Benton:

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

Single Audit Findings

1. Strengthen Controls to Ensure Compliance with Allowable Costs Requirements of the COVID Relief Funds (CRF) and Elementary and Secondary School Emergency Relief Fund (ESSER).
2. Strengthen Controls to Ensure Compliance with Allowable Costs Requirements of the Child and Adult Care Food Program (CACFP).
3. Strengthen Controls to Ensure Compliance with Federal Funding Accountability and Transparency Act (FFATA) requirements
4. Strengthen Controls to Ensure Compliance with On-Site Subrecipient Monitoring Requirements for Title I.
5. Strengthen Controls to Ensure Compliance with On-Site Subrecipient Monitoring Requirements for Special Education Cluster Programs.
6. Strengthen Controls to Ensure Compliance with Equitable Participation of Private School Children Requirements

Other Audit Findings

7. Strengthen Controls Over Subrecipient Monitoring Related to the Single Audit Process.

Please review the recommendations and submit a plan to implement them by October 21, 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

Mississippi Department of Education
October 12, 2022
Page 2

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

Sincerely,

A handwritten signature in black ink that reads "Stephanie C. Palmertree". The signature is written in a cursive, flowing style.

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 Education for 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 Education'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 Education 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 Education'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 Education'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 **2021-034**, **2021-035**, **2021-036**, **2021-037**, **2021-038** and **2021-044**.

Internal Control over Compliance

Management of the Mississippi Department of Education 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 Education'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 Department of Education'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, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance identified in this letter as items 2021-044, 2021-034, 2021-035, 2021-036 and 2021-037 to be material weaknesses.

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. We consider the deficiency in internal control over compliance identified in this letter as item 2021-038 to be a significant deficiency.

In addition, we noted a deficiency in internal control over compliance that require the attention of management that we have reported as item OTH-2021-009.

Findings and Recommendations

ALLOWABLE COSTS

Material Weakness

Material Noncompliance

2021-044	<u>Strengthen Controls to Ensure Compliance with Allowable Costs Requirements of the Coronavirus (COVID) Relief Funds (CRF) and Elementary and Secondary School Emergency Relief Fund (ESSER).</u>
ALN Number	21.019 Coronavirus Relief Fund (CRF) 84.425 Education Stabilization Fund (ESSER)
Federal Award No.	All Current Active Grants
Federal Agency	United State Treasury and United States Department of Education
Pass-through Entity	N/A
Questioned Costs	N/A

Criteria

Per Section 31-7-9, Mississippi Code of 1972, Annotated, "Procurement regulations shall be promulgated by the Office of Purchasing, Travel, and Fleet Management, with approval of the Public Procurement Review Board."

Per the Mississippi Procurement Manual, Section 1.103," all procurement regulations require all parties involved in the negotiation, performance or administration of Mississippi contracts to act in good faith."

Per the Mississippi Procurement Manual, Section 1.104 (2), "The procurement regulations shall apply to every expenditure of public funds irrespective of their source, when such expenditures are made in compliance with or are designated by Section 31-7-1, et seq. Mississippi Code of 1972, Annotated. However, in the event of a conflict, the guidelines of the grant, gift, or self-generated funds shall prevail; and in any case, violation of these regulations shall carry such penalties as may be applicable under state laws."

Per the Mississippi Procurement Manual, Section 3.110, "Notwithstanding any other provisions of this regulation, the Chief Procurement Officer, the head of a purchasing agency, or a designee of either officer may make or authorize others to make emergency procurements under emergency conditions ... provided, that such emergency procurements shall be made with such competition as is practicable under the circumstances."

Condition

Mississippi Senate Bill 3044, adopted during the 2020 legislative session, otherwise known as the "Equity in Distance Learning Act (the Act)", provided funding for devices and other technology for the students, teachers, and administrators in the schools of Mississippi. The Act authorized MDE to prepare an express product listing (EPL) for computer equipment. The Act further authorized MDE to utilize emergency procurement procedures to solicit bids for the EPL. MDE signed contracts with Apple, Inc. to provide Apple devices to schools without any competitive bidding process. However, MDE opted to use a competitive bidding process with bid solicitations for other computer and technology needs.

During our audit, auditors noted that MDE staff conducted regular meetings with individuals from the winning bidder of the authorized Express Product Listing prior to publishing the official RFQ to vendors. Additionally, MDE's Chief Information Officer forwarded a draft of the "Prime Contractor Requirements" or specifications to a member of the winning bidder twenty days before the RFQ was officially released. The winning bidder made modifications to the specifications before they were submitted in the RFQ.

MDE stated that all vendors that were solicited for bids were provided the specifications in advance; however, only the winning bidder was given the opportunity to make suggestions to edits to the specifications. According to documentation provided to auditors, the following serves as a timeline of communication:

July 2, 2020 – Email to future winning bidder with listed specifications as "draft"

July 9, 2020 – Email from future winning bidder to MDE with changes in specifications marked in red.

July 21, 2020 – Microsoft “Teams” chat with second bidder where specifications (with some of future winning bidder edits) are provided

July 22, 2020 – Email to third bidder where specifications (with some of future winning bidder edits) are provided

July 29, 2020 – Official RFQ was provided to vendors

July 31, 2020 – Deadline for vendor questions

August 1, 2020 – Deadline for questions answered

August 3, 2020 – Deadline for submissions of responses to RFQ

August 3, 2020 – Evaluation of Responses

August 4, 2020 – Vendor interviews

August 4, 2020 – Review of submissions by MDE panel

August 5, 2020 – Contract negotiations

August 6, 2020 – Board Approval

August 18, 2020 – Contract Awarded (no later than date)

It should be noted that four vendors submitted proposals and were evaluated. However, MDE did not present documentation that showed the fourth vendor was provided specifications in advance. The memorandum on August 4, 2020 that describes the selection process in broad terms only references three vendors, but does show a scored rubric for four vendors, illustrating inconsistencies in the procurement process.

The winning bidder was provided the ability to edit specifications and was provided the specifications approximately 30 days in advance while the other vendors were only given approximately two weeks to prepare bids. The winning bidder suggested extensive “prime contractor requirements” for the specifications, including information suggesting how many square feet distribution centers needed to be sized, financing options, experience with specific programs, etc. Auditors could not see evidence that these specific requirements were added to the specifications provided to other vendors; however, the winning bidder was provided an unfair advantage in suggesting that these requirements would aid in the deployment process. Additionally, similar requirements and experience factors were noted by MDE and the procurement reviewers during the proposal analysis phase.

When comparing prices on the RFQ, the winning bidder received 35 points for the category of “Devices, including price considerations. However, when price was compared, the winning bidder was not the lowest bidder, nor the second lowest bidder. The next highest score in the category was “25” but the prices of the competitor were significantly lower. MDE failed to provide any information on why the points were assigned and calculated other than an overall memorandum of the scores and process. Based on information provided, it does not appear that the procurement process was designed to promote fair and open competition; nor does it appear that all parties negotiated the agreements in good faith.

Cause

MDE failed to act in good faith in obtaining requisitions of equipment related to CRF and ESSER funds.

Effect	Failure to act in good faith during procurement negotiations can open MDE to civil litigation claims. Additionally, implied preference to vendors could result in public distrust in the procurement process. Lastly, implied preference could result in fraud, waste, or abuse during the procurement process.
Recommendation	We recommend the Mississippi Department of Education strengthen controls to ensure compliance with allowable costs requirements of the Coronavirus (COVID) Relief Funds (CRF) and Elementary and Secondary School Emergency Relief Fund (ESSER).
Repeat Finding	No.
Statistically Valid	No.

2021-034	<u>Strengthen Controls to Ensure Compliance with Allowable Costs Requirements of the Child and Adult Care Food Program (CACFP).</u>
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ALN Number	10.558 Child and Adult Care Food Program
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Federal Award No.	All Current Active Grants
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Federal Agency	United State Department of Agriculture
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Pass-through Entity	N/A
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Questioned Costs	\$126,191
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Criteria	<p><i>Code of Federal Regulations (7 CFR 226.15(e))</i> states, each institution shall establish procedures to collect and maintain all program records required under this part, as well as any records required by the State agency. Failure to maintain such records shall be grounds for the denial of reimbursement for meals served during the period covered by the records in question and for the denial of reimbursement for costs associated with such records. At a minimum, the following records shall be collected and maintained:</p> <ul style="list-style-type: none">• Documentation of the enrollment of each participant at centers and child at day care homes. Such documentation of enrollment must be updated annually, signed by a parent or legal guardian, and include information on each child's normal days and hours of care and the meals normally received while in care.• Daily records indicating the number of participants in attendance and the daily meal counts, by type (breakfast, lunch, supper, and snacks), served to family day care home participants, or the time of service meal counts, by type (breakfast, lunch, supper, and snacks), served to center participants.• Copies of invoices, receipts, or other records required by the State agency financial management instruction to document: administrative costs claimed by the institution; operating costs claimed by the institution except sponsoring organizations of day care homes; and income to the program.
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Mississippi Department of Education Office of Child Nutrition: Recordkeeping Manual for the Child and Adult Care Food Program states, "Organizations that participate in the CACFP are required to maintain enrollment information for each participant attending the center. The enrollment form must be updated ANNUALLY and when required information has changed. Failure to maintain a current enrollment form on each participant will result in the disallowance of meals and repayment of Program funds. ... Each enrollment form must contain the following: Participant's Name, Date of Birth, Home Address, Medical Information, Name and phone number of a person to be contacted in case of emergency, Signature of Parent/Guardian, Participant's Signature (or that of another responsible adult)-Adult Day Care, Date Signed, Enrollment and Withdrawal Dates, Meals Needed, Days and Hours of Care."

Mississippi Department of Education Office of Child Nutrition: Recordkeeping Manual for the Child and Adult Care Food Program states, "Participants eligible for free or reduced priced meals enrolling after July 1, must have meal applications completed before the end of the month. The category of each participant, as stated on the meal application, is recorded on the Master Roster. Failure to have a complete meal application on file for each enrolled participant will result in the disallowance of meals and repayment of Program funds. ...It is the responsibility of the center staff to review and categorize the application as free, reduced, or denied/paid. The staff must sign and date the application in the "official use only" section."

Mississippi Department of Education Office of Child Nutrition: Recordkeeping Manual for the Child and Adult Care Food Program states, "The United States Department of Agriculture (USDA) issues CACFP reimbursement for organizations based on three categories: free, reduced price and paid. To qualify for the free or reduced-price categories, a family must meet the income level and household size specified on the Income Eligibility Guidelines."

Mississippi Department of Education Office of Child Nutrition: Recordkeeping Manual for the Child and Adult Care Food Program states, "The Master Roster is used to give a summary of categories of eligibility for participants enrolled in the center. This information comes from the meal application. The category totals on the Master Roster are used to complete the monthly claim."

Mississippi Department of Education Office of Child Nutrition: Recordkeeping Manual for the Child and Adult Care Food Program requires the eligibility category on the Master Roster to be marked for each participant.

Mississippi Department of Education Office of Child Nutrition: Recordkeeping Manual for the Child and Adult Care Food Program states, "Attendance records verify that participants claimed were actually present. An individual record of each participant's attendance (days present and absent) must be recorded each day. ...Failure to complete and document attendance will result in the disallowance of meals and the repayment of Program Funds. Claiming meals more than documented in attendance will result in the designation of your organization as seriously deficient."

Mississippi Department of Education Office of Child Nutrition: Recordkeeping Manual for the Child and Adult Care Food Program states, "The Daily Record of Meal Count must be recorded at the end of each meal service and must accurately reflect actual meals served.

The Mississippi Department of Education CACFP: Participant Guide states, "Meal count and attendance records must indicate that meal count totals are never *HIGHER* than attendance totals."

Mississippi Department of Education Office of Child Nutrition: Recordkeeping Manual for the Child and Adult Care Food Program states the organization is to file invoices and receipts in a monthly folder after each CACFP approved purchase. In addition, the cost worksheet should be completed after each purchase or payment for CACFP.

Mississippi Department of Education Office of Child Nutrition: Recordkeeping Manual for the Child and Adult Care Food Program states "Program operators are required to track an organization's spending and provide a Balance on Hand of CACFP funds independently of other center funds. The State Agency highly recommends opening a separate Checking Account for the tracking of CACFP funds. ... No payments may be made for expenses not directly related to operation of the CACFP. Any payments of this nature will be disallowed, and the organization will be required to repay all such expenditures."

Mississippi Department of Education Office of Child Nutrition Recordkeeping Manual for the Child and Adult Care Food Program (CACFP) states, "CACFP/SFSP Sponsor/Institution agrees to ensure all goods and services are properly procured and maintain all records relating to the purchase of goods and services and the procurement process. All Program records and documentation will be maintained for three years plus the current year."

Condition

During testwork performed for Activities Allowed and Allowable Costs for CACFP grants for the 2020-2021 year, the auditor noted the following exceptions:

- 402 instances in which the 2020 - 2021 enrollment form did not contain all the required elements or was not provided, resulting in questioned costs of \$66,593.
- 93 instances in which documentation for the Free/Reduced Meal Application was not provided or was not completed correctly, resulting in \$22,045 of questioned costs.
- Three instances in which weekly meal count forms for the month did not include all participants listed on the Master Roster for a Headstart Program for a sponsored site, resulting in \$245 of questioned costs.
- 31 instances in which the meal category on the Free/Reduced Lunch Application was not recorded correctly on the Master Roster, resulting in \$3,500 of questioned costs.
- 35 instances in which no supporting documentation was provided for expenses on the sponsors' monthly cost worksheets, resulting in questioned costs of \$33,808.

- Auditor noted several instances in which the organization either did not maintain a clear audit trail or did not maintain clear comprehensive documentation, including:
 - Mileage reimbursement forms did not contain site names or addresses on the itinerary listed, therefore, auditor could not determine if reimbursement was correct.
 - A sponsor organization's system of accounting for the general ledger only includes the aggregate total paid to the providers each period, therefore, auditor was unable to determine amounts paid to individual providers.
 - Payroll records did not have a clear record of which federal program the employee compensation should be allocated. Auditor was unable to trace employee payroll records to the CACFP staffing patterns.
 - Payments per the cost worksheet could not be traced to the bank statements. Due to lack of clear audit trail, items listed on the cost worksheet could not be tracked into the aggregate vendor payments per the bank statement.

CACFP testwork was not performed using a statistically valid sampling approach; therefore, projection of questioned costs is not considered appropriate.

Cause	MDE did not monitor subrecipients properly and ensure that subrecipients are maintaining required supporting documentation as required by written policies and procedures.
Effect	Failure to not properly monitor subrecipients and ensure required supporting documentation is maintained could result in questioned costs and loss of funding.
Recommendation	We recommend the Mississippi Department of Education strengthen controls to ensure compliance with allowable costs requirements of the Child and Adult Care Food Program (CACFP).
Repeat Finding	No.
Statistically Valid	No.

REPORTING

Material Weakness *Material Noncompliance*

2021-035	<u>Strengthen Controls to Ensure Compliance with Federal Funding Accountability and Transparency Act (FFATA) requirements</u>
ALN Number	84.010 Title I – Grants to Local Education Agencies 84.425 Education Stabilization Fund
Federal Award No.	All Current Active Grants

Federal Agency United States Department of Education

Pass-through Entity N/A

Questioned Costs N/A

Criteria *The Code of Federal Regulations (2 CFR 170, Appendix A(I)(a)(2)(ii)) states a subaward must be reported in FSRs by the last day of the month following the obligation date, which is defined as the date the subaward is signed.*

The Code of Federal Regulations (2 CFR 170, Appendix A(I)(b)(1)(i)) sets forth the reporting requirements of the Transparency Act that related to subawards under grants. Direct recipients of grants who make first-tier subawards equal to or exceeding \$30,000 are required to report each subaward obligating action equal to \$30,000 or more in Federal funds.

Condition During testwork performed for the Federal Funding Accountability and Transparency Act (FFATA) reporting fiscal year 2021, the auditor noted the following exceptions:

- Fifteen instances out of 15 reports tested for Title I, in which there was no supporting documentation for the date the report was submitted to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Due to the lack of supporting documentation for the date of report submission, the auditor was not able to determine if the FSRS reports were reported timely, no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
15	0	15	0	0
Dollar Amount Tested For Transactions	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$21,747,051	\$0	\$21,747,051	\$0	\$0

- Fifteen (15) instances out of 15 reports tested for Elementary and Secondary School Emergency Relief Fund II (ESSER II), in which the report was not submitted within the required timeframe. Of the 15 reports tested, all had a subaward action date of 2/25/2021. Submission date for these reports was 4/12/2021. Per the compliance supplement, the FFATA reports are required to be submitted no later than the last day of the following month in which the sub-grant is awarded. The deadline for reports reviewed would be 3/31/21; therefore, all were 12 days late.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
15	0	15	0	0
Dollar Amount Tested For Transactions	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$137,165,965	\$0	\$137,165,965	\$0	\$0

- Mississippi Department of Education (MDE) has not established internal control policies or procedures, nor is a supervisory review performed of the subrecipient contract information that is reported to verify the data is reported timely.

Cause	MDE personnel did not maintain documentation of the date of report submission to FSRs.
Effect	Failure to maintain documentation of that reports are submitted timely can undermine transparency and accountability since the public will not know about these grants awards in an appropriate manner.
Recommendation	We recommend the Mississippi Department of Education (MDE) strengthen controls to ensure compliance with Federal Funding Accountability and Transparency Act (FFATA) requirements.
Repeat Finding	No.
Statistically Valid	Yes.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2021-036	<u>Strengthen Controls to Ensure Compliance with On-Site Monitoring Requirements for Title I.</u>
ALN Number	84.010 Title I – Grants to Local Education Agencies
Federal Award No.	All Current Active Grants
Federal Agency	United States Department of Education
Pass-through Entity	N/A
Questioned Costs	N/A

Criteria

The terms and conditions of the grant agreements between the Mississippi Department of Education (MDE) and the U.S. Department of Education require MDE to administer grants in compliance with the *Code of Federal Regulations* (2 CFR Part 200 – Uniform Guidance). The *Code of Federal Regulations* (2 CFR Part 200.332) designates MDE, as a pass through entity, to properly identify subaward requirements to subrecipients, evaluate the risk of noncompliance for each subrecipient, and monitor the activities of subrecipients as necessary to ensure that subawards are used for authorized purposes, complies with the terms and conditions of the subawards and achieves performance goals.

The Code of Federal Regulations (2 CFR 200.332(b)) states, all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as: (1) The subrecipient's prior experience with the same or similar subawards; (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F of this part, and the extent to which the same or similar subaward has been audited as a major program; (3) Whether the subrecipient has new personnel or new or substantially changed systems; and (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

The Code of Federal Regulations (2 CFR 200.332(d)) requires all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

We evaluated MDE's compliance with subrecipient monitoring requirements based on written policies and procedures designed by MDE's Office of Federal Programs Division of Compliance (OFP-DC) to satisfy during-the-award monitoring requirements. OFP-DC procedures require an on-site monitoring review of each subgrantee contract based on risk assessment level of moderate or high. A tracking mechanism is used to ensure all subgrantee contracts are properly identified and monitored. OFP-DC written procedures requires the MDE Executive Director of Federal Programs to send the monitoring report with appropriate cover letter to the LEA notifying the Superintendent, Federal Programs Director, and Business Manager, typically within 45 days. OFP-DC written procedures require the local educational agency (LEA) to prepare a Corrective Action Plan (CAP) within 30 days of receipt of the monitoring report and require OFP-DC to follow up with the CAP to ensure it is accomplished, typically, within 12 months of the monitoring visit. Finally, the written procedures state a potential condition of approval of the LEA's annual funding application is that the status of the monitoring report must be either *Closed* or *Pending Compliance with Approved Corrective Action Plan*.

Condition

For the 2019 – 2020 monitoring cycle, the Mississippi Department of Education (MDE) did not perform a risk assessment to evaluate each subrecipient's risk of

noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward. Instead, MDE performed on-site monitoring for all local educational agencies (LEAs) that had not been monitored in the last three monitoring cycles. During testwork performed on subrecipient monitoring, the auditor tested 37 of the 47 local education agencies (LEAs) that had on-site monitoring for the 2019-2020 monitoring cycle and noted the following:

- Seven instances (or 19 percent) in which the school district did not provide MDE with a corrective action plan (CAP) within 30 days of the monitoring report.
- One instance (or 3 percent) in which no documentation of a monitoring instrument and follow-up communication was provided.

Cause	MDE did not follow federal regulations related to assessing the risk of each LEA prior to performing on-site monitoring for the 2019-2020 monitoring cycle. In addition, MDE did not follow policies and procedures related to ensuring the LEAs submit their CAP within twelve months of the monitoring visits and the monitoring instruments are properly maintained after the on-site visits are performed.
Effect	MDE programmatic funding divisions rely upon on-site monitoring procedures to verify compliance with program regulations and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients and ensure closure of the monitoring visits in a timely manner could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.
Recommendation	We recommend the Mississippi Department of Education strengthen controls to ensure compliance with subrecipient monitoring requirements for Title I.
Repeat Finding	Yes, 2020-032.
Statistically Valid	Yes.

Material Weakness
Material Noncompliance

2021-037	<u>Strengthen Controls to Ensure Compliance with On-Site Subrecipient Monitoring Requirements for Special Education Cluster Programs.</u>
ALN Number	84.027 Special Education – Grants to States (IDEA, Part B) 84.173 Special Education – Preschool Grants (IDEA, Preschool)
Federal Award No.	All Current Active Grants
Federal Agency	United States Department of Education
Pass-through Entity	N/A
Questioned Costs	N/A

Criteria

The terms and conditions of the grant agreements between the Mississippi Department of Education (MDE) and the U.S. Department of Education require MDE to administer grants in compliance with the *Code of Federal Regulations (2 CFR Part 200 – Uniform Guidance)*. The *Code of Federal Regulations (2 CFR Part 200.331)* designates MDE, as a pass through entity, to properly identify subaward requirements to subrecipients, evaluate the risk of noncompliance for each subrecipient, and monitor the activities of subrecipients as necessary to ensure that subawards are used for authorized purposes, complies with the terms and conditions of the subawards and achieves performance goals.

The Code of Federal Regulations (2 CFR 200.332(b)) states, all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as: (1) The subrecipient's prior experience with the same or similar subawards; (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F of this part, and the extent to which the same or similar subaward has been audited as a major program; (3) Whether the subrecipient has new personnel or new or substantially changed systems; and (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

The Code of Federal Regulations (2 CFR 200.332(d)) requires all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

MDE's Office of Special Education Bureau of Monitoring and Technical Assistance (OSE-BMTA) procedures require an on-site monitoring visit of each subgrantee contract based on a four-year rotating cycle. Each Local Education Agency (LEA) in Mississippi receives an on-site compliance monitoring visit at least once every four years. The OSE-BMTA written procedures state each monitoring visit will have a monitoring team leader who is responsible for completing the monitoring report and sending the report to the Office of Special Education (OSE) Bureau Director for approval. The monitoring instrument is designed to include all areas of compliance to be monitored and consists of a programmatic portion and a fiscal portion. The written procedures require the monitoring report be provided to the LEA within 30 calendar days of the monitoring visit. The written procedures further state that within 14 calendar days from the receipt of the monitoring report, the LEA must submit a response to OSE of any inconsistencies in the report along with documentation to support the findings. OSE-BMTA written procedures require the LEA to prepare and submit an Improvement Plan within 30 days of receipt of the monitoring report. The written procedures further state that all noncompliance must be corrected as soon as possible, but in no case more than 12 months from the date of the monitoring report.

Condition	For the 2019 – 2020 monitoring cycle, the Mississippi Department of Education (MDE) did not perform a risk assessment to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward. In addition, The Mississippi Department of Education (MDE) did not properly monitor all Local Education Agencies (LEAs) on a four-year cycle. Per MDE policy, roughly 35 LEAs should be monitored in the monitoring cycle each year. During the last completed monitoring cycle (School Year 2019 – 2020), no cyclical monitoring cycle was performed. Thus, the auditor was unable to continue testing the cyclical monitoring and deemed controls ineffective. The agency has not fully implemented the corrective action plan from the prior year finding over subrecipient monitoring.
Cause	MDE did not follow federal regulations related to assessing the risk of each LEA. In addition, MDE did not follow written policies related to their cyclical monitoring cycle.
Effect	MDE programmatic funding divisions rely upon on-site monitoring procedures to verify compliance with program regulations and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients and ensure closure of the monitoring visits in a timely manner could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.
Recommendation	We recommend the Mississippi Department of Education strengthen controls to ensure compliance with subrecipient monitoring requirements for the Special Education Cluster Programs.
Repeat Finding	Yes, 2020-033.
Statistically Valid	No.

SPECIAL TEST & PROVISIONS – PARTICIPATION OF PRIVATE SCHOOL CHILDREN

Significant Deficiency Immaterial Noncompliance

2021-038	<u>Strengthen Controls to Ensure Compliance with Equitable Participation of Private School Children Requirements.</u>
ALN Number	84.010 Title I – Grants to Local Education Agencies
Federal Award No.	All Current Active Grants
Federal Agency	United States Department of Education
Pass-through Entity	N/A
Questioned Costs	N/A

Criteria

The Mississippi Department of Education (MDE) Final Equitable Services Plan states, the equitable services filings required include the Final Equitable Service Plan for each private school served. Each form must be returned, marked, and signed by the district representative to certify that the plan is true and correct. The district is required to upload the Final Equitable Service Plan and Written Affirmation into Mississippi Comprehensive Automated Performance-based System (MCAPS) by May 29, 2020, though for FY21 that deadline was waived due to the pandemic and changed to when a local educational agency (LEA) reopened.

The Elementary and Secondary Education Act Section 1117 (c)(1) states, “A local educational agency shall have the final authority, consistent with this section, to calculate the number of children, ages 5 through 17, who are from low-income families and attend private schools by— (A) using the same measure of low income used to count public school children; (B) using the results of a survey that, to the extent possible, protects the identity of families of private school students, and allowing such survey results to be extrapolated if complete actual data are unavailable; (C) applying the low-income percentage of each participating public school attendance area, determined pursuant to this section, to the number of private school children who reside in that school attendance area; or (D) using an equated measure of low income correlated with the measure of low income used to count public school children.”

The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that an agency maintain an audit trail to ensure adherence to written policies and procedures.

Condition

During testwork performed on the equitable participation of private school children requirements for Title I, the auditor tested five out of 30 local educational agencies (LEAs) receiving Title I equitable services for fiscal year 2021(School Year 2020-2021) and noted the following exceptions:

- Two instances (or 40 percent) in which the number of qualifying low-income students per the Household Income Surveys does not agree with the low-income count number reported in the Non-Public Equitable Services section of the FY 2021 Consolidated Application submitted by the LEA.
- One instance (or 20 percent) in which the number of qualifying low-income students per the Free/Reduced Lunch Applications does not agree with the low-income count number reported in the Non-Public Equitable Services section of the FY 2021 Consolidated Application submitted by the LEA.
- One instance (or 20 percent) in which the LEA did not submit the Final Equitable Service Plan and Written Affirmation in a timely manner. The Final Equitable Service Plan and Written Affirmation was signed and

uploaded to Mississippi Comprehensive Automated Performance-based System (MCAPS) following the end of School Year 2020-2021.

- One instance (or 20 percent) in which the Final Equitable Service Plan was submitted without the District's Representative's signature.
- One instance (or 20 percent) in which a LEA was listed on the SY20-21 (FY21) Equitable Services spreadsheet as participating in Title I Equitable Services, but there were no allocation amounts in MCAPS in the Non-Public Equitable Services screen for School Year 2020-2021 (FY21).

Cause	MDE staff did not to review the documentation used by the LEAs to determine the qualifying low-income student count numbers reported in the Consolidated Application in MCAPS prior to MDE's Office of Federal Programs approval.
Effect	Failure to review the proper documentation to support the data submitted by the LEA on their Consolidated Application prior to MDE's Office of Federal Programs approval may result in improper payment to the LEAs which could also reduce the amount of future funding of Title I. .
Recommendation	We recommend the Mississippi Department of Education strengthen controls to ensure compliance with equitable participation of private school children requirements.
Repeat Finding	No.
Statistically Valid	Yes.

SUBRECEIPIENT MONITORING – SINGLE AUDIT RESOLUTION PROCESS

Control Deficiency

OTH-2021-009	<u>Strengthen Controls Over Subrecipient Monitoring Related to the Single Audit Process.</u>
ALN Number	10.553 – School Breakfast Program 10.555 – National School Lunch Program 10.556 – Special Milk Program for Children 10.558 – Child and Adult Food Program 10.559 - Summer Food Service Program for Children 10.579 – Child Nutrition Discretionary Grants Limited Availability
Federal Award No.	All Current Active Grants
Federal Agency	United States Department of Agriculture
Pass-through Entity	N/A
Questioned Costs	N/A

Criteria

The Code of Federal Regulations (2 CFR 200.332(a)(3)) requires pass through entities to monitor the single audit resolution process in order to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports.

The Code of Federal Regulations (2 CFR 200.332(d)) requires all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

The Code of Federal Regulations (2 CFR 200.332(f)) requires all pass-through entities must verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501.

The Code of Federal Regulations (2 CFR 200.501(a)) states, "A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part."

The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that an agency has a complete tracking method in order to ensure monitoring over all subrecipients.

Condition

During testwork performed on subrecipient on-site monitoring single audit resolution process, the auditor noted the following exceptions:

- The Office of Child Nutrition (OCN) tracking log for whether a subrecipient meets or does not meet the single audit threshold did not include all subrecipients that receive Child Nutrition and Child and Adult Care Food Program (CACFP) funding. Therefore, auditor was unable to ensure completeness for the subgrant monitoring tracking system for Child Nutrition and CACFP.
- One instance in which a subrecipient expended more than \$750,000 during the subrecipient's fiscal year in Federal awards was not included on the tracking log. Therefore, MDE did not review the subrecipient's single audit.

Cause

MDE did not include all subrecipients on the Single Audit Resolution tracking log for the Child Nutrition and CACFP programs.

Effect

Mississippi Department of Education Child Nutrition and Child and Adult Care Food Program (CACFP) funding divisions rely upon monitoring procedures to verify compliance with the single audit resolution process and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients in a timely manner could allow noncompliance with federal

regulations to occur and go undetected, potentially resulting in questioned costs.

Recommendation We recommend the Mississippi Department of Education strengthen controls to ensure compliance for subrecipient monitoring single audit resolution process.

Repeat Finding No.

Statistically Valid No.

End of Report



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR**

Auditor's note to the Corrective Action Plan from Mississippi Department of Education (MDE) Management

Department of Education – Activities Allowed/Allowable Costs - *Material Weakness/Material Noncompliance*

2021-034 Strengthen Controls to Ensure Compliance with Allowable Costs Requirements of the Child and Adult Care Food Program (CACFP).

Mississippi Department of Education (MDE) asserts in their disagreement with the finding that they have a “robust system of monitoring” and that they could not verify the accuracy of the finding due to “not being included in the reviews of the recipients.

OSA reviewed a significantly lower percentage of CACFP subrecipients than MDE alleges they reviewed in their response (42%) and OSA found enough noncompliance to warrant a material noncompliance finding with \$126,191 in questioned costs, which should be noted is more than triple (\$37,408) the amount MDE stated they recovered from similar organizations.

Additionally, the assertion that the accuracy could not be verified due to not being “included in the reviews of subrecipients” is misleading, and implies that MDE was not made aware of the particulars of the questioned costs. MDE was provided with a list of all the CACFP subrecipients that are noted in the finding and a list of the specific questioned costs. MDE stated it would take months to review those expenditures at the same level of detail that OSA personnel were able to complete in less than six weeks.

In conclusion, the sheer number of errors in the subrecipient monitoring process that led to the questioned allowable costs does not support MDE's statement that their internal controls and subrecipient monitoring system is either robust or adequate.



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR**

Auditor's note to the Corrective Action Plan from Mississippi Department of Education (MDE) Management

Department of Education – Activities Allowed/Allowable Costs - *Material Weakness/Material Noncompliance*

2021-044 Strengthen Controls to Ensure Compliance with Allowable Costs Requirements of the Coronavirus (COVID) Relief Funds (CRF) and Elementary and Secondary School Emergency Relief Fund (ESSER).

MDE states in their response to the finding that “the crux of this finding hinges on the erroneous assertion that only one vendor was allowed to offer input on the specifications.” The finding acknowledges that MDE provided evidence that three of the four vendors received the specifications in advance, but the winning bidder received them 20 days in advance, while the remaining two vendors received them 7-8 days in advance. Additionally, the specifications sent to the winning bidder were marked “draft” and redline comments were added to the specifications by the winning bidder when they were returned to MDE. While MDE did not adopt all of the winning bidder’s suggested modifications to the specifications, modifications like the size of the needed laptop screens were adopted by MDE. MDE could provide no support that the fourth bidder was given advance notice of the specifications.

Secondly, MDE asserts that the points assigned to the winning bidder for the “Devices” category hinged on the guarantee that the devices would be delivered by the November 20, 2022 delivery timeline; however, two other bidders with lower price points overall on devices also committed to having devices delivered no later than November 20, 2022. In fact, bidders were told that that delivery by November 20, 2022 was a requirement to bid on the RFQ. MDE did not describe why the bidders received the points that they did (as stated in the finding), and their statement that it depended on delivery dates is not supported by the RFQs. This type of discrepancy is the reason that the evaluations of RFQ’s should contain sufficient detailed justification of points awarded.

Department of Education – Reporting – *Material Weakness - Material Noncompliance*

2021-035 Strengthen Controls to Ensure Compliance with Federal Funding Accountability and Transparency Act (FFATA) Requirements.

MDE states that they do not concur that FFATA information was entered timely or that no documentation was maintained that could verify the information was entered; however, their response verifies that “MDE is unable to demonstrate when the file was initially submitted...” Additionally, MDE has provided a

corrective action plan to address the elements of the finding. OSA will review this corrective action in later audits to determine if MDE has complied.”

Department of Education – Special Tests and Provisions – *Significant Deficiency/Immaterial Noncompliance*

2021-038 Strengthen Controls to Ensure Compliance with Equitable Participation of Private School Children Requirements.

MDE states that they do not believe this is a systemic problem with the program, but states that they do not require supporting documentation in the application phase, and review those documents in the monitoring phase of the grant process. There is a significant lag time between the application phase on the grant cycle and MDE’s subrecipient monitoring. Due to this lag, errors in the Local Educational Agency (LEA’s) documentation would not be identified timely, resulting in improper Title-I allocation. In addition, every LEA is not selected for on-site monitoring each year. Not reviewing the LEA’s documentation prior to approval could result in errors in the Title-I allocation that may not be identified timely or at all. MDE should consider strengthening these controls to ensure the proper allocation of funds timely.



MISSISSIPPI DEPARTMENT OF EDUCATION

Kim S. Benton, Ed.D.
State Superintendent, Interim

SINGLE AUDIT FINDINGS

October 21, 2022

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

Dear Mr. White:

The Mississippi Department of Education (MDE) has reviewed the single audit findings for the for the fiscal year ending June 30, 2021 and provides the following response and corrective action plan.

AUDIT FINDINGS:

21.019 Coronavirus Relief Fund (CRF)
84.425 Education Stabilization Fund (ESSER)

Allowable Costs

2021-044 Strengthen Controls to Ensure Compliance with Allowable Costs Requirements of the Coronavirus (COVID) Relief Funds (CRF) and Elementary and Secondary Emergency Relief Fund (ESSER).

Response: MDE does not concur with this finding. Further, MDE objects to the assertion that it did not act in good faith. In developing the Express Products Listing (EPL) as directed by legislation, MDE awarded a contract to Apple, Inc. since this vendor is a “sole source.” However, MDE initiated a Request for Quote (RFQ) **process**, although not required by law, for additional computer equipment to be included on the EPL. This decision was made to create a competitive process as much as was practicable.

The crux of this finding hinges on the erroneous assertion that only one vendor was allowed to offer input on the specifications. Specifically, the finding suggests that the winning bidder was given unfair advantage based on the lead time in which their input was solicited and received and implies that the winning bidder participated in the RFQ development. These assertions are false. No vendor had any role in the creation of the final RFQ. All vendors selected by MDE were allowed to provide input on the specifications. Meetings were held with the MDE invited vendors to solicit and document input regarding the specifications and other related matters. These meetings are not reflected in the condition of this finding. It is critically important to note that the scheduling of these meeting dates for the purpose expressed above were not solely driven by MDE but were set based on vendor availability. All meetings were scheduled as quickly and as often as practicable under the circumstances.

This finding challenges the scoring for price. Specifically, the finding states, "MDE failed to provide any information on why the points were assigned and calculated other than an overall memorandum of the scores and process." The legislative intent and success of this initiative was largely shaped by providing school districts with a list of vendors that were able to deliver the volume and meet the timeline for device delivery. Significant consideration had to be given to vendors that were able to deliver the volume of equipment needed by the November 20, 2022, delivery timeline.

Lastly, MDE worked in concert with both state and local stakeholders to ensure full implementation of the legislative intent as outlined in SB 3044, and to ensure that MDE procured goods and services as an emergency response to the pandemic. Thereby, ensuring that every student had a device for the continuity of teaching and learning during the pandemic.

Corrective Action Plan:

- A. MDE will continue to monitor procurement solicitations and awards for compliance with all applicable statutes, policies, and procedures.

10.558 Child and Adult Care Food Program

Allowable Cost

2021-034 Strengthen Controls to Ensure Compliance with Allowable Costs Requirements of the Child and Adult Care Food Program (CACFP).

Response: The MDE does not concur with this finding. The MDE has a robust system of internal controls and subrecipient monitoring system for the CACFP. In addition to meeting USDA requirements for monitoring, the MDE Office of Child Nutrition (OCN) also employs a risk-based process to select CACFP subrecipients for review and the scope of monitoring. In fact, the MDE routinely exceeds the USDA requirement to monitor 33.3% of participating organizations annually – in Program Year (PY) 2020-2021, 42% of participating organizations were reviewed to provide additional oversight of subrecipients. When the MDE identifies instances of noncompliance, it requires participating organizations to take appropriate corrective action. For organizations that are very high-risk, the MDE employs the USDA Serious Deficiency process in accordance with 7 C.F.R. 226.6.

Further, while USDA does not require a review of bank statements for allowable costs during the annual renewal by organizations, the MDE does review bank statements to determine the allowability of funds. MDE has increased the rigor of this evaluation from one month in PY 2016-2017 to up to 12 months of bank statements for PY 2022-2023.

The OSA did not identify weaknesses in the MDE subrecipient monitoring process, such as in the selection of organizations, the monitoring cycle, or monitoring procedures. Instead, OSA identified errors made by individual participating organizations. The MDE already has a process to recover funds from an organization if an error is discovered during subrecipient monitoring and requires a repayment of funds. In PY 2021, the MDE recovered \$37,048 from the organizations reviewed by OSA. MDE OCN staff will compare these previously recovered amounts to the potential questioned costs identified by OSA to determine any overlap in findings and required repayment of funds.

Finally, MDE staff was not included in the reviews of subrecipients by OSA so the MDE cannot verify the accuracy of the proposed findings. USDA provided numerous waivers of program requirements that altered CACFP requirements during the pandemic. For example, the nationwide waiver of area eligibility in the CACFP at risk component “allow[s] CACFP at-risk afterschool care programs to provide a meal and snack, regardless of their location...” and “ensures that schools and afterschool care centers are able to meet the nutrition needs of students by providing each child with the maximum meal benefits available...” See COVID-19: Child Nutrition Response #68 at 2. These waivers have substantially altered operational requirements for CACFP providers in PY 2020-2021. MDE staff will

need to review documentation from OSA before it can respond to the specific disallowed items.

Corrective Action Plan:

- A. The MDE will review documentation provided by OSA of potential questioned costs and review source documentation held by the subrecipients to determine the amount of unallowable costs. If confirmed, the MDE will recover any unallowable costs in accordance with USDA policies. This review will be completed by April 21, 2023 and Susie Evans, CACFP Director for the MDE OCN, will oversee the review.
- B. The MDE will continue to assess its CACFP monitoring and continue to strengthen the process while remaining in compliance with USDA regulations.

84.010 Title I – Grants to Local Education Agencies
84.425 Education Stabilization Fund

Reporting

2021-035 Strengthen Controls to Ensure Compliance with Federal Funding Accountability and Transparency Act (FFATA) requirements

Response: The MDE does not concur with this finding. The MDE maintains a process to report FFATA information timely. The MDE is hampered in its reporting, however, by known issues to the FFATA reporting system. For example, if the MDE needs to revise a report it must submit a request to the FSRS Helpdesk to delete the previously uploaded report before it can upload a revised report. This revised report is required when entities DUNS/UEI became valid and/or when allocations were revised. In these instances, the reporting date will be the date of the revised report, rather than the original report.

The MDE made good faith efforts to upload this information in a timely manner. Unfortunately, the FSRS system cannot provide the transactions on each federal award to show when an original file was uploaded into the system or provide a report on the end-user activity in the system. In addition, the FSRS system experiences frequent system errors that prevent the MDE from uploading its reports in a timely fashion. Thus, the MDE is unable to demonstrate exactly when the file was initially submitted to the FSRS system or upload files that are timely prepared.

These common reporting and system issues are known by and affect all users. Until these issues are corrected, the MDE may continue to experience difficulty in uploading reports. All current reports have been uploaded and are visible within the FSRS system.

Corrective Action Plan:

- A. The MDE will maintain a copy of the PDF file of the upload for the initial submission and will electronically provide a date stamp on the document indicating its upload. This process will be implemented by June 30, 2023 and Elisha Campbell, Executive Director will oversee its implementation.

84.010 Title I – Grants to Local Education Agencies
Subrecipient Monitoring

2021-036 Strengthen Controls to Ensure Compliance with On-Site Monitoring Requirements for Title I.

Response The MDE acknowledges the findings identified by OSA as described above and concurs. In the 2019-2020 monitoring cycle, the MDE monitored local education agencies (LEAs) that were not monitored in the last three cycles, prioritizing the “time since last review” as the risk factor for Title I programs.

The MDE will continue to utilize the risk assessment for monitoring. The current risk assessment sorts LEAs into three risk categories: low risk, medium risk, and high risk. The higher the LEA’s risk level, the more likely it is selected for on-site or virtual monitoring. LEA risk is determined through multiple risk assessment indicators, tested annually.

Corrective Action Plan

- A. To help LEAs comply with CAP reporting requirements, the MDE will implement a process to track CAP reporting timelines and provide LEAs with a reminder that their CAP is due five business days prior to its due date. If an LEA fails to timely submit its CAP, the MDE will include that failure to submit timely data in its annual risk assessment. This process will be implemented by June 30, 2023 and the division of Monitoring and Compliance will oversee its implementation.
- B. The MDE will continue to utilize its risk assessment, adjusting as needed to ensure compliance. This corrective action has already been implemented.

84.027 Special Education – Grants to States (IDEA, Part B)
84.173 Special Education – Preschool Grants (IDEA, Preschool)

Subrecipient Monitoring

2021-037 Strengthen Controls to Ensure Compliance with On-Site Subrecipient Monitoring Requirements for Special Education Cluster Programs.

Response The MDE Office of Special Education (OSE) acknowledges the findings identified by the Office of the State Auditor's as described above. MDE OSE has maintained the review of the Single Audits and provided follow-up on corrections needed by LEAs with funding under IDEA programs. In addition, MDE OSE provides technical assistance to LEAs regarding such. Further, MDE OSE utilizes the District Determinations (SPP/APR) data to provide proactive technical assistance to LEAs.

During the 2019-2020 school year, MDE OSE conducted follow-up monitoring on previously monitored LEAs to assist them in clearing findings from the prior school year. Under the guidance of the National Center for Systemic Improvement (NCSI), MDE OSE monitored LEAs via Special Education Determination Reports, Mississippi Comprehensive Automated Performance-based System (MCAPS) funding application review, and Formal State Complaints using previous procedures while MDE OSE developed new procedures and risk assessments. Additionally, with the onset of COVID-19, the districts and state agencies faced challenges in meeting monitoring requirements and timelines during the last four months of the 2019-2020 school year due to health and safety restrictions. In its implementation of new procedures and risk assessments, MDE OSE has incorporated broad revisions to the agency's subrecipient monitoring procedures and made a significant investment in building the capacity of new OSE management team members to monitor subrecipient compliance and ensure that subawards are used for authorized purposes.

Corrective Action Plan

- A. The MDE OSE will continue the programmatic and cyclical monitoring of LEAs that began as a pilot in the spring of 2020.
- B. The MDE OSE will continue to complete the risk-based assessment, that includes the SPP/APR data, each year as universal monitoring of all LEAs to identify those in need of intensive intervention and support.
- C. The MDE OSE will continue to review, approve and monitor budgets and expenditures through the Mississippi Comprehensive Automated Performance-based System (MCAPS) to oversee the use of IDEA grant funds to subrecipients.

- D. The MDE OSE has established a procedure of virtual self-assessment via desk audits in the event that the process is once again interrupted due to health and safety concerns.

84.010 Title I – Grants to Local Education Agencies

Special Test & Provisions – Participation of Private School Children

2021-038 Strengthen Controls to Ensure Compliance with Equitable Participation of Private School Children Requirements

Response The MDE does not see the finding as a systemic problem with the program. The review of this compliance requirement is a part of the monitoring phase and not the application phase of the grant cycle. During monitoring, LEAs must provide supporting documentation for the following:

- Identification of eligible students for equitable service calculation
- Equitable services to be provided to students
- How, where, and by whom will services be performed
- How will equitable services be academically evaluated for effectiveness
- The size and scope of equitable services that will be provided
- How and when the decision about delivery of services will be made

Corrective Action Plan

- A. The MDE will continue to work with and provide bi-annual training and technical assistance focused on equitable service requirements to subrecipients to follow the established procedures to ensure efficiency and effectiveness.

10.553 – School Breakfast Program
10.555 – National School Lunch Program
10.556 – Special Milk Program for Children
10.558 – Child and Adult Food Program
10.559 – Summer Food Service Program for Children
10.579 – Child Nutrition Discretionary Grants Limited Availability

Subrecipient Monitoring – Single Audit Resolution Process

OTH-2021-009 Strengthen Controls Over Subrecipient Monitoring Related to the Single Audit Process

Response The MDE tracking log of subrecipients only includes those exceeding the single audit threshold. Those not exceeding the threshold are not included on the log. There is no requirement to provide a log of subrecipients not exceeding the threshold. The MDE does maintain a list of all participating organizations.

As noted by OSA, one organization incorrectly reported the amount of federal funds expended for PY 2020-2021 and was not included on the tracking log. However, this organization's single audit was found by the MDE at a later date, after the initial log had been created. The audit was reviewed by OCN staff and the organization provided corrective action based on the findings of the audit.

Corrective Action Plan:

- A. The MDE will review the single audit tracking process and ensure that all audits are included on the tracking log

Thank you for the opportunity to provide the above response.

Sincerely,



Kim S. Benton, Ed.D.
Interim, State Superintendent of Education