



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

April 4, 2022

Financial Audit Management Report

Liz Welch, Executive Director / State Fiscal Officer
Mississippi Department of Finance and Administration
P.O. Box 267
Jackson, Mississippi 39205

Dear Ms. Welch:

Enclosed for your review are the financial audit findings for the Mississippi Department of Finance and Administration for the fiscal year ended June 30, 2022. In this finding, the Auditor's Office recommends the Mississippi Department of Finance and Administration:

1. Strengthen Controls Over the Change Logs of the Statewide Payroll and Human Resource System; and,
2. Require Chief Fiscal Officers of State Agencies to Hold Minimum Accounting Qualifications and Attend Mandatory Training.

Please review the recommendation and submit a plan to implement it by April 18, 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 this 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 Finance and Administration'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 Finance and Administration'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 Finance and Administration to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Finance and Administration 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 above the typed name.

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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi for the year ended June 30, 2021. 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 the Department of Finance and Administration (DFA) 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 Finance and Administration'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 Finance and Administration'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. However, we identified certain deficiencies in internal control, identified in this letter as items **2021-002** and **2021-003**, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the State of Mississippi 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*.

Findings and Recommendations

MATERIAL WEAKNESS

2021-002	<u>Strengthen Controls Over the Change Logs of the Statewide Payroll and Human Resource System.</u>
Repeat Finding	Yes; 2018-008, 2019-04, and 2020-004.
Criteria	Good internal controls dictate that all transactions and other significant events be clearly documented and readily available for examination. This audit trail, or security audit log, documentation should include evidence on how transactions are initiated, processed, recorded, and summarized. Proper audit trail documentation also includes evidence of transactions that may have been voided, deleted, or changed after approval and initiation. A “change log” should also be maintained that summarizes any changes, especially those in the production environment. Periodic reconciliations between the change log and a list of approved changes should be performed to ensure all changes have been approved and authorized.
Condition	<p>During testwork performed for the fiscal year ended June 30, 2021; the following issues were noted:</p> <ul style="list-style-type: none">• Security logging was not enabled in the Natural Security log settings.• Reconciliations between approved changes and changes occurring in the change log are not being performed.
Cause	There are inadequate controls surrounding SPAHRS security logging.
Effect	Failure to adequately log transactional changes and to periodically review logs for appropriateness could result in untimely modification of data, security configuration changes, or fictitious transactions.
Recommendation	We recommend that the Department of Finance and Administration enable the Natural Security logging functionality and strengthen controls over the periodic review of such logs.

2021-003	<u>Require Chief Fiscal Officers of State Agencies to Hold Minimum Accounting Qualifications and Attend Mandatory Training.</u>
Repeat Finding	Yes; 2016-012, 2017-006, 2018-024, 2019-015 and 2020-010.
Criteria	<p><i>Section 7-7-3 Miss. Code Ann. (1972)</i> states that the State Fiscal Officer (as defined by <i>Section 21-104-6 Miss. Code Ann. (1972)</i> as the Executive Director of the Department of Finance and Administration shall conduct training seminars on a regular basis to ensure that agencies have access to persons proficient in the correct use of the statewide accounting system.</p> <p><i>Section 7-7-211 Miss. Code Ann. (1972)</i> authorizes the State Auditor to establish training course and programs for the personnel of the various state and local governmental entities. These courses shall include, but are not limited to, topics on internal control, purchasing and property, governmental accounting and financial reporting, and internal auditing.</p> <p><i>The Internal Control – Integrated Framework</i> published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) specifies that a satisfactory control environment is only effective when there is a commitment to competence that demonstrates</p>

a commitment to retain competent employees. This principle of competency can be achieved through analysis of skills required for positions, training and development training.

Condition

During testing for fiscal year 2021, we noted, through inquiry and observation, that the overall expertise level of accounting staff in various state agencies was not consistent, and that job requirements often did not specify applicants hold any specific accounting or governmental knowledge. We also noted that, although the Department of Finance and Administration (DFA) held GAAP conversion and accounting training courses to aid state agencies in compiling financial information, it was not a mandatory requirement and often agency personnel did not attend. Likewise, qualification and skill requirements were not consistently applied to Chief Financial Officers throughout the various state agencies.

The lack of overall understanding and application of proper accounting standards required the centralized accounting function of the state, DFA, to prepare significant adjusting and reclassification entries in order to prevent material misstatement. While the majority of entries would not have materially misstated accounts individually, in the aggregate, without adjustment, the financials would have been materially misstated.

Cause

Lack of consistently applied agency qualifications for accounting personnel.

Effect

The failure of the State to hire and retain competent staff could result in a material misstatement of the financial statements.

Recommendation

We recommend that the Department of Finance and Administration implement mandatory training sessions for accounting personnel and Chief Fiscal Officers. Additionally, we recommend the State of Mississippi implement minimum qualifications for Chief Financial Officers.

End of Report



STATE OF MISSISSIPPI
GOVERNOR TATE REEVES

DEPARTMENT OF FINANCE AND ADMINISTRATION

LIZ WELCH
EXECUTIVE DIRECTOR

FINANCIAL AUDIT FINDINGS

Shad White
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, Mississippi 39205-0956

May 24, 2022

Dear Mr. White,

In reference to your letter dated April 4, 2022, we submit the following responses and corrective action plans to the financial audit findings for the Department of Finance and Administration (DFA) for the fiscal year ended June 30, 2021.

AUDIT FINDINGS:

MATERIAL WEAKNESSES

Finding Number

2021-002

Response:

Finding Description

Strengthen controls over change logs in SPAHRS

We acknowledge the finding.

Turning on the Natural Security logs would require a major upgrade to SPAHRS and would introduce functionality that has never been utilized. This would be a major change with high risks to consider. DFA/MMRS is in the process of planning the HR/Payroll implementation of MAGIC and does not want to take on the risk of doing a major change to SPAHRS at this time.

DFA/MMRS is in process of upgrading the Adabas version to 8.5. This project, with assistance from ITS (MS Information Technology Services), will allow for Natural Security logging of the administrative application by authorized users from the TSO nucleus. Our planned logging implementation will incorporate a review of the logs

with signoff. This logging does not include processes ran in batch. DFA/MMRS is currently in the first Phase of implementation of the HR/Payroll MAGIC Project. This project implementation will move us off SPAHRS/Legacy systems.

Corrective Action:

- A. DFA is working on the MAGIC Phase II implementation.
- B. Michael Gonzalez is the contact person for this corrective action.
- C. The anticipated completion date of Phase II is June 1, 2023.
- D. N/A

2021-003

CFO qualifications and attend mandatory training

Response:

We acknowledge the finding.

The Department of Finance and Administration (DFA) is the primary agency responsible for state government financial and administrative operations, and we fully accept and embrace the magnitude of that responsibility. However, while DFA is the executive branch control agency over governmental accounting and financial reporting, and in particular, the completion of the annual comprehensive financial report, we rely heavily on the cooperation and input of every other state agency to successfully accomplish that task.

We acknowledge that Section 7-7-3 of Miss. Code Ann. (1972) requires DFA to conduct training seminars on a regular basis to ensure that agencies have access to persons proficient in the correct use of the state accounting system. Before implementation of the new statewide system and since that time, we have provided class training, one-on-one personalized training and detailed assistance via the call center to agency personnel to help them understand the processes required for daily workflow. We have training material, work instructions and job aids available on the internet that are easily accessible. While

we have clearly stated that these training sessions are necessary, we continue to have agencies that do not attend.

The finding specifically calls into question the lack of qualifications and skill requirements of agency accounting personnel, and specifically mentions the lack of qualified personnel serving as Chief Fiscal Officers. While we have the responsibility to provide systems to facilitate the financial reporting and operations of the state and to provide training to employees that use these systems, we do not have the oversight of the hiring or selection of agency employees. Hiring of qualified employees is the responsibility of each state agency head.

Corrective Action:

- A. The audit finding recommendation is for DFA to implement mandatory training sessions for accounting personnel and chief fiscal officers.

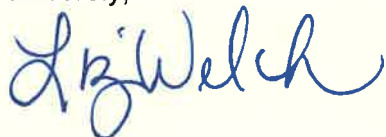
DFA will continue to provide training opportunities for accounting personnel and chief fiscal officers, and will pursue and provide additional training as funding allows. DFA will also consider requiring attendance, however enforcement of that will be difficult.

- B. Reginald Welch is the contact person for this corrective action.

- C. The corrective action will be implemented during fiscal year 2022.

- D. N/A

Sincerely,



Liz Welch
Executive Director



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

November 7, 2022

Single Audit Management Report

Liz Welch, Executive Director
Mississippi Department of Finance and Administration
P.O. Box 267
Jackson, MS 39205

Dear Mrs. Welch:

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

Single Audit Findings:

1. Strengthen Controls to Ensure Proper Review over the Schedule of Expenditures of Federal Awards;
2. Strengthen Controls to Ensure Compliance with Reporting Requirements for Emergency Rental Assistance; and
3. Strengthen Controls Over Monitoring Processes in order to Ensure Federal Compliance Requirements are Being Met.

Please review the recommendations and submit a plan to implement them by November 14, 2022. The enclosed findings contain more information about our recommendations.

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

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

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

Sincerely,

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

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

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi Department of Finance and Administration 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 Finance and Administration'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 Finance and Administration 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 Finance and Administration 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 Finance and Administration 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 **2021-030**, **2021-031**, and **2021-032**.

Internal Control over Compliance

Management of the Mississippi Department of Finance and Administration 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 Finance and Administration's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mississippi Department of Finance and Administration's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 item 2021-30, 2021-031, and 2021-032 to be material weaknesses.

Findings and Recommendations

REPORTING

Material Weakness

Material Noncompliance

2021-030 Strengthen Controls to Ensure Proper Review over the Schedule of Expenditures of Federal Awards.

ALN Number 21.023 Emergency Rental Assistance

Federal Award No. N/A

Federal Agency U.S. Department of Treasury

Questioned Costs None

Criteria The *Code of Federal Regulations* (2 cfr 200.302(b)) states in part that the financial management system of each non-Federal entity must provide for the “identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.....”

The Code of Federal Regulations 2 CFR 200.508(b) states, “Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510.”

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

Additionally, 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 control activities exist. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. The Schedule of Expenditures of Federal Awards contains information such as Assistance Listing Numbers (ALN) and grant identification numbers that must be properly and accurately recorded.

Condition	During the review of the schedule of expenditure of federal awards (SEFA) as obtained from the Mississippi Department of Finance and Administration (DFA), auditor noted that DFA incorrectly reported Homeowners Assistance (ALN 21.026) to Rental Assistance (ALN 21.023).
Cause	The agency did not possess or enforce proper internal control structures. Additionally, the agency did not properly review and reconcile the schedule of expenditures of federal awards information and did not perform review over crucial aspects of financial reporting.
Effect	Failure to properly ensure federal grant activity, including revenue and expenditures, are properly recorded on the agencies Schedule of Expenditures of Federal Awards could result in reporting errors in the State's Master Schedule of Expenditures of Federal Awards and/or exclusion of major programs to be audited on the State's Single Audit Report.
Recommendation	We recommend the Department of Finance and Administration strengthen controls to ensure proper review over the schedule of expenditures of federal awards.
Repeat Finding	No.
Statistically Valid	N/A.

REPORTING

Material Weakness *Material Noncompliance*

2021-031	<u>Strengthen Controls to Ensure Compliance with Reporting Requirements for Emergency Rental Assistance.</u>
CFDA Number	21.023 Emergency Rental Assistance
Federal Award No.	N/A
Federal Agency	U.S. Department of Treasury
Questioned Costs	None
Criteria	The <i>Code of Federal Regulations (2 CFR 200.303(a))</i> States that the non-federal entity must "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control

Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Additionally, the *Code of Federal Regulations (2 cfr 170.200)*, reporting requirements are “(a) federal awarding agencies are required to publicly report Federal awards that equal or exceed the micro-purchase threshold and publish the required information on a public-facing, OMB-designated, government wide website and follow OMB guidance to support Transparency Act implementation. (b) Federal awarding agencies that obtain post-award data on subaward obligations outside of this policy should take the necessary steps to ensure that their recipients are not required, due to the combination of agency-specific and Transparency Act reporting requirements, to submit the same or similar data multiple times during a given reporting period.”

Furthermore, 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 control activities exist. This includes but is not limited to, maintaining proper segregation of duties within the entity and determining which laws and regulations apply to the entity and setting objectives that incorporate these requirements.

Condition

Mississippi Home Corporation (MHC), a subrecipient of DFA, did not have controls in place for multi-level review and approval of federal reports to ensure the Emergency Rental Assistance program was reported correctly to the Department of the Treasury.

Additionally, auditors could not verify that Mississippi Home Corporation maintained segregation of duties in regards to the preparation, approval, and submission of federal reports.

Furthermore, DFA did not file a FFATA Subaward Report with the Federal Funding Accountability and Transparency Act Subaward Reporting System as required by the Federal Funding Accountability and Transparency Act.

Cause

DFA relied on MHC to fulfill all the reporting requirements of the grant; therefore, MHC’s failure to appropriately segregate controls and to submit required reports results in DFA receiving the findings.

Effect

Lack of proper internal controls could result in erroneous reports being submitted to the federal cognizant agency

Recommendation

We recommend the Department of Finance and Administration strengthen controls in order to ensure adequate segregation of duties exist and reporting requirements are being met.

Repeat Finding

No.

Statistically Valid

N/A.

Monitoring

Material Weakness

Material Noncompliance

2021-032 Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements.

CFDA Number 21.023 Emergency Rental Assistance

Federal Award No. N/A

Federal Agency U.S. Department of Treasury

Questioned Costs None

Criteria The *Code of Federal Regulations* (2 CFR 200.328) states that:

(a) Monitoring by the non-Federal entity. The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. See also § 200.331 Requirements for pass-through entities.

(b)(2) The non-Federal entity must submit performance reports using OMB-approved government-wide standard information collections when providing performance information. As appropriate in accordance with above mentioned information collections, these reports will contain, for each Federal award, brief information on the following unless other collections are approved by OMB:

(i) A comparison of actual accomplishments to the objectives of the Federal award established for the period. Where the accomplishments of the Federal award can be quantified, a computation of the cost (for example, related to units of accomplishment) may be required if that information will be useful. Where performance trend data and analysis would be informative to the Federal awarding agency program, the Federal awarding agency should include this as a performance reporting requirement.

(ii) The reasons why established goals were not met, if appropriate.

(iii) Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Additionally, The *Code of Federal Regulations* (2 CFR 200.332 (d)) States that the pass-through entity “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...”

Furthermore, the *Code of Federal Regulations* (45 cfr 200.62), states that “a non-Federal entity must have internal control over compliance designed to provide reasonable assurance that; ...

(b) Transactions are executed in compliance with:

(1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and

(2) Any other Federal statutes and regulations that are identified in the Compliance Supplement...”

The Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) specifies that a satisfactory control environment is only effective when timely and appropriate monitoring is performed by management.

Condition	The Mississippi Department of Finance and Administration did not perform a pre-award risk assessment for the subrecipient of the Emergency Rental Payments (ERP). Additionally, no grant agreement exists between the subrecipient and DFA; therefore, none of the required grant elements were properly communicated to the subrecipient. Lastly, DFA did not perform any monitoring procedures of the ERP monies, at either the subrecipient level or the beneficiary level. Based on recommendations from those charged with governance, DFA elected to allow Mississippi Home Corporation (MHC) the authority to administer the program for the State of Mississippi. MHC is a quasi-governmental agency and is not part of the State's financial reporting structure; therefore, DFA created a subrecipient relationship when the ERP monies were distributed to MHC for the administration of the Rental Assistance for Mississippians Program (RAMP).
Cause	The Mississippi Department of Finance and Administration distributed the entirety of the ERP grant to a third party administrator, MHC, and did not consider this to be a subrecipient relationship.
Effect	Lack of proper controls and monitoring procedures could result in the misuse and/or improper spending of federal funds.
Recommendation	We recommend the Department of Finance and Administration implement monitoring procedures over subrecipients in order to ensure federal compliance requirements are being met. Additionally, we recommend that the agency follow all pre-award and post-award requirements of grant programs.
Repeat Finding	No.
Statistically Valid	N/A

End of Report



STATE OF MISSISSIPPI
GOVERNOR TATE REEVES

DEPARTMENT OF FINANCE AND ADMINISTRATION

LIZ WELCH
EXECUTIVE DIRECTOR

November 10, 2022

SINGLE AUDIT FINDINGS

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 Finance and Administration (DFA) respectfully submits its response to the Office of the State Auditor's single audit findings for Fiscal Year 2021. On the following pages, DFA has provided its corrective action plan for each finding by (a) describing specific steps to be taken to correct the situation; (b) providing the name of the contact person responsible for the corrective action; (c) providing the anticipated completion date for the corrective action; and (d) stating whether we concur with the finding.

AUDIT FINDINGS:

21.023 Emergency Rental Assistance

Reporting

2021-030 Strengthen Controls to Ensure Proper Review over the Schedule of Expenditures of Federal Awards

Response:

The Department of Finance and Administration will implement controls to ensure that the proper ALN is assigned to the grant schedule and the agency will properly review and reconcile the schedule of expenditures of federal award for reporting. DFA concurs with this finding and recommendation.

Corrective Action Plan:

- A. Expenditure reports and grant schedules will be prepared by staff in Department of Finance and Administration (DFA) – Office of Budget and Accounting and the reports and schedules will be reviewed for completeness and accuracy by Deputy Executive Director for DFA. Any discrepancies in the review will be discussed and corrected for submission.
- B. The contact person responsible for this corrective action is Reginald Welch, Deputy Executive Director with the Department of Finance and Administration.
- C. This corrective action will be completed by December 31, 2022.
- D. N/A

21.023 Emergency Rental Assistance

Reporting

2021-031 Strengthen Controls to Ensure Compliance with Reporting Requirements for Emergency Rental Assistance.

Response:

Mississippi Home Corporation will implement controls to ensure adequate segregation of duties for reporting. DFA concurs with this finding and recommendation.

Corrective Action Plan:

- A. Reports will be prepared by MHC's Authorized Representative listed in the Treasury portal; a separate review of the prepared report will be conducted by the Quality Control Specialist; any discrepancies between the two reviews will be discussed and corrected; final approval/submission will be conducted by MHC's Authorized Representative.
- B. The contact person responsible for this corrective action is Lisa Coleman, SVP of Federal Grants with the Mississippi Home Corporation.
- C. This corrective action will be completed by December 31, 2022.
- D. N/A

21.023 Emergency Rental Assistance

Monitoring

2021-032 Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements.

Response:

DFA does not concur with the finding because DFA was simply a pass-through agency of the funds and was required to draw down the funds in light of an impending federal deadline. It is not possible for DFA to conduct monitoring as it has not been appropriated any funds nor does it have the personnel or other resources to do so.

Corrective Action Plan:

- A. Mississippi Home Corporation should hire a 3rd party monitor.
- B. Mississippi Home Corporation Director Scott Spivey
- C. N/A
- D. N/A



Liz Welch
Executive Director