



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

November 3, 2022  
**Single Audit Management Report**

Jim Beckett, Executive Director  
Mississippi Public Utilities Staff  
501 N West St #301B  
Jackson, MS 39201

Dear Mr. Beckett:

Enclosed for your review is the single audit finding for the Mississippi Public Utilities Staff for Fiscal Year 2021. In this finding, the Auditor's Office recommends the Mississippi Public Utilities Staff:

Single Audit Finding

1. Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements.

Please review the recommendations and submit a plan to implement them by November 10, 2022. The enclosed findings contain more information about our recommendations.

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

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

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

Sincerely,

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

Stephanie C. Palmertree, CPA, CGMA  
Deputy State Auditor  
Office of the State Auditor  
Enclosures

## **SINGLE AUDIT FINDINGS**

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi Public Utilities Staff 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 Employment Security'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 Public Utilities Staff 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 Employment Security'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 Public Utilities Staff'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 item **2021-049**.

### **Internal Control over Compliance**

Management of the Mississippi Public Utilities Staff 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 Public Utilities Staff'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 Public Utilities Staff's internal control over compliance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal controls, described in the accompanying schedule of findings and questioned costs as item **2021-049** that we consider to be a material weakness.

### **Finding and Recommendation**

#### **SUBRECIPIENT MONITORING**

##### ***Material Weakness***

##### ***Material Noncompliance***

**2021-049**                      Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements.

**ALN Number**              21.019

**Federal Award No.**      N/A

**Federal Agency**           Department of Treasury

**Pass-through Entity**

**Questioned Costs**        N/A

**Criteria**                      *The Code of Federal Regulations 2 CFR 200.332(a)* requires that a pass through entity must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. This required information includes:

- Subrecipient name (which must match the name associated with its unique entity identifier);
- Subrecipient's unique entity identifier;
- Federal Award Identification Number (FAIN);
- Federal Award Date of award to the recipient by the Federal agency;
- Subaward Period of Performance Start and End Date;

- Subaward Budget Period Start and End Date;
- Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;
- Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- Assistance Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;
- Identification of whether the award is R&D; and
- Indirect cost rate for the Federal award.

<b>Condition</b>	During testwork performed for subrecipient monitoring for year ended June 30, 2021, the auditor noted that the 100% of the 6 sampled subawards issued to subrecipients of CRF grants did not include all of the required data elements such as the Assistance Listing Number (ALN), the name of the federal awarding agency, and the grant's period of performance.
<b>Cause</b>	The Mississippi Public Utilities Staff used subrecipient agreements that lacked all the required data elements.
<b>Effect</b>	Failure to include required information about the grant to subrecipients could increase the likelihood that subrecipients will not comply with single audit requirements; and that the state could be required to pay back grant funds.
<b>Recommendation</b>	We recommend the Mississippi Public Utilities Staff strengthen controls to ensure terms and conditions are stated in subrecipient subaward documents as required by Uniform Grant Guidance.
<b>Repeat Finding</b>	No.
<b>Statistically Valid</b>	N/A

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**End of Report**

PUBLIC UTILITIES STAFF

**EMILY W. KRUGER**  
GENERAL COUNSEL

**RON BREWER**, DIRECTOR  
WATER & SEWER DIVISION

**CHRISTOPHER GARBACZ**, DIRECTOR  
ECONOMICS & PLANNING DIVISION



**CHARLES JIM BECKETT**  
EXECUTIVE DIRECTOR

**JEFFREY L. LEE**, DEPUTY DIRECTOR  
ADMINISTRATIVE SERVICES DIVISION

**SAMSON MABRY IV**, DIRECTOR  
ELECTRIC & GAS DIVISION

**TIMOTHY H. JONES**, DIRECTOR  
COMMUNICATIONS DIVISION

**SINGLE AUDIT FINDINGS**

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

November 7, 2022

Dr. Mr. White:

Staff has reviewed your findings of the audit of Staff's handling of Senate Bill No. 3046 "Mississippi Electric Cooperatives Broadband COVID-19 Act." Below is the Corrective Action Plan to be implemented by Staff in the event the Mississippi Legislature directs us to handle any future grant programs using federal dollars.

Audit Findings:

OSA identified a deficiency in internal controls, described as not following *The Code of Federal Regulations 2 CFR 200.332(a)* which governs how an entity must ensure identification of subawards to subrecipients.

2021-049 Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements

- "During testwork performed for subrecipient monitoring for year ended June 30, 2021, the auditor noted that 100% of the 6 sampled subawards issued to subrecipients of CRF grants did not include all of the required data elements such as the Assistance Listing Number (ALN), the name of the federal awarding agency, and the grant's period of performance.
- "The Mississippi Public Utilities Staff used subrecipient agreements that lacked all the required data elements.
- OSA Recommendation: "We recommend the Mississippi Public Utilities Staff strengthen controls to ensure terms and conditions are stated in subrecipient subaward documents as required by Uniform Grant Guidance."

Staff Response:

A lump sum of \$75 million was taken from Mississippi's share of the Federal Government's CARES Act by the Mississippi Legislature and allocated to the Mississippi Public Utilities Staff in the form of SB 3046. Staff had to implement a grant program that would provide

awardees with money by July 31, 2020. SB 3046 laid out the methodology by which the Staff was to conduct the grant program and monitor the awardees. All awarded money had to be spent in projects building out broadband by December 31, 2020. Staff used fees paid by applicants to hire an accounting firm and an engineering firm to monitor the spending of the money and building of broadband infrastructure. 2 CFR 200.332(a) lists subrecipient monitoring requirements. Staff did not have access to any of this information. Staff only had the information dictated to it through SB 3046 which was signed into law by the Governor. Mississippi received over one billion dollars in CARES Act funds from the federal government. The Governor and the Mississippi Legislature dictated the allocation of those dollars. 2 CFR 200.332(a) targets a more specific grant from the federal government not emergency funding through an action like the CARES Act.

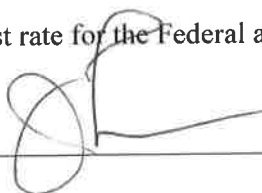
Although Staff did not have information available to it to follow the exact requirements of 2 CFR 200.332(a), Staff commits to pursuing those specific guidelines in any future actions related to federal grants.

Corrective Action Plan:

Staff agrees to follow the criteria set out in 2 CFR 200.332(a) regarding subrecipient monitoring in all future action that require it. The criteria are listed below:

- Subrecipient Name (which must match the name associated with its unique entity identifier;
- Subrecipient's unique entity identifier;
- Federal Award Identification Number (FAIN);
- Federal Award Date of award to the recipient by the Federal agency;
- Subaward Period of Performance Start and End Date;
- Subaward Budget Period Start and End Date;
- Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;
- Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFACTA);
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- Assistance Listing number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;
- Identification of whether the award is R&D; and
- Indirect cost rate for the Federal award.

Signature: \_\_\_\_\_

 Jeffrey Lee

Title: Deputy Director