



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

November 8, 2022

Single Audit Management Report

Mark Smith, Director
Mississippi Veterans Affairs Board
P.O. Box 3439
Jackson, MS 39207

Dear Mr. Smith:

Enclosed for your review is the single audit findings for Mississippi Veterans Affairs Board for Fiscal Year 2021. In these findings, the Auditor's Office recommends the Board:

Single Audit Findings

1. Strengthen Controls Over the Preparation, Recording, and Review of the Schedule of Expenditures of Federal Awards.
2. Strengthen Controls Over the Preparation, Recording, and Review of the Schedule of Expenditures of Federal Awards.

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

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

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

I hope you find our recommendations enable the Mississippi Veterans Affairs Board to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Veterans Affairs Board. 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 Veterans Affairs Board 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 Veterans Affairs Board 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 Veterans Affairs Board 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 Veterans Affairs Board'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 Veterans Affairs Board'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 **2021-051** and **2021-052**.

Internal Control over Compliance

Management of the Mississippi Veterans Affairs Board 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 Veterans Affairs Board'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 Veterans Affairs Board's internal control over compliance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned costs as items 2021-051 and 2021-052 that we consider to be material weaknesses.

Findings and Recommendations

Reporting

Material Weakness

Material Noncompliance

2021-051 Strengthen Controls Over the Preparation, Recording, and Review of the Schedule of Expenditures of Federal Awards.

ALN Number 64.015 Veterans State Nursing Home Care

Federal Award No. N/A

Federal Agency Department of Veteran’s Affairs

Pass-through Entity N/A

Questioned Costs Unable to determine due to disclaimer audit opinion.

Criteria *The Code of Federal Regulations (2 cfr §200.510(b))* states, in part “the auditee must 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.”

Code of Federal Regulations (2 cfr §200.502(a)) states, in part, “the determination of when a federal award is expended must be based on when the activity related to the Federal award occurs.”

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 a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of financial and federal information reported on such schedule 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, Office of Management and Budget Uniform Grant Guidance 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

During the audit of Mississippi Veterans Affairs (MVA) for fiscal year ended June 30, 2021, auditors noted that MVA recorded expenditures provided did not agree to the amounts in the statewide accounting system, the Mississippi Accountability System for Government Information and Collaboration (MAGIC).

The statewide SEFA is prepared using agency prepared grant schedule activity reports, and a system of internal controls exists to ensure all federal monies are included in the SEFA and that all agencies that have federal monies prepare grant schedules. By making adjustments to the MVA accounting records without making adjustments to MAGIC or notifying the DFA, MVA inadvertently circumvented the control system and DFA was not alerted to the need for adjustment to the amount of the funds in the SEFA.

Due to the designation as a Major Program under Uniform Grant Guidance Subpart F, MVA required an audit for fiscal year 2021. MVA prepared and submitted grant information to the auditors that did not agree to the DFA SEFA.

MVA could not reasonably justify the expenditures reported on the grant schedule, nor could they produce supporting documentation of such expenditures. Due to this inability to support which expenditures were paid with grant funds, and an inability to separate allowable costs in the from unallowable costs, auditors could not determine, with any reasonable accuracy, what the questioned costs are from the grant; therefore, auditors were overall unable to audit the 64.015 grant funds.

Cause

Management at MVA is relatively new and made adjustments to internal expenditures without communication to SFA and the need to adjust the SEFA.

Effect

Failure to properly communicate corrections to expenditures be included correctly in MAGIC and that the SEFA so that it with the underlying financial records could result inaccurate reporting to both the state and federal oversight organizations.

Recommendation

We recommend Mississippi Veterans Affairs strengthen controls over the preparation and review of the Schedule of Expenditures of Federal Awards to ensure all grant award information and amounts reported are accurate and correct, and that the information agrees with the underlying financial records.

Repeat Finding

Yes.

Statistically Valid

N/A

2021-052 Strengthen Controls Over the Preparation, Recording, and Review of the Schedule of Expenditures of Federal Awards.

ALN Number 21.029 Coronavirus Virus Relief Funds

Federal Award No. N/A

Federal Agency Department of Treasury

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

Questioned Costs Unable to determine due to disclaimer audit opinion

Criteria *The Code of Federal Regulations (2 cfr §200.510(b))* states, in part “the auditee must 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.”

Code of Federal Regulations (2 cfr §200.502(a)) states, in part, “the determination of when a federal award is expended must be based on when the activity related to the Federal award occurs.”

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 a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of financial and federal information reported on such schedule 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, Office of Management and Budget Uniform Grant Guidance 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 During the audit of Mississippi Veterans Affairs (MVA) for fiscal year ended June 30, 2021, auditors noted that MVA recorded expenditures related to the Coronavirus Relief Funds based on an allocation of all expenditures and revenues for the months of October, November and December. When the auditors inquired of the rationale or justification of how the expenditures were selected and allocated no justification could be provided.

Since amounts were based on an allocation of all payments and payroll amounts there were no specific invoices or employee payroll that were identified as qualifying under the grant. Due to this inability to define which expenditures were paid with grant funds, and an inability to separate allowable costs in the allocation from unallowable costs, auditors could not determine, with any reasonable accuracy, what the questioned costs are from the grant. Furthermore, due to the lack

of methodology justification maintained by the agency, auditors were overall unable to audit the CRF funds.

Cause Management at MVA is relatively new and made adjustments to internal expenditures without communication to SFA and the need to adjust the SEFA.

Effect Failure to properly communicate the justification for expenditures to be included in the SEFA could result in some or all the costs to be questioned. With no identification of specific invoices or specific employee payroll that qualified for reimbursement all costs could be brought into question.

Recommendation We recommend Mississippi Veterans Affairs strengthen controls over the documentation maintained to justify amounts are properly charged to grants.

Repeat Finding No.

Statistically Valid N/A
