



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

February 21, 2023

Financial Audit Management Report

Robin Stewart, Interim Executive Director
Mississippi Department of Employment Security
1235 Echelon Parkway
Jackson, MS 39215

Dear Ms. Stewart:

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Employment Security for the fiscal year ended June 30, 2022. 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, we considered the Mississippi Department of Employment Security's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 Employment Security'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 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

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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Mississippi Department of Employment Security'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 Employment Security'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 appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Employment Security throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,



Angela Mire, CPA, CFE
Director, Agency Audit Division



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

July 17, 2023

Single Audit Management Report

Robin Stewart, Interim Executive Director
Mississippi Department of Employment Security
1235 Echelon Parkway
Jackson, MS 39215

Dear Ms. Stewart:

Enclosed for your review is the single audit findings for the Mississippi Department of Employment Security for Fiscal Year 2022. In these findings, the Auditor's Office recommends the Mississippi Department of Employment Security:

Single Audit Findings

1. Strengthen Controls to Ensure Compliance with Matching Requirements for Unemployment Insurance;
2. Strengthen Controls to Ensure Compliance with Reporting Requirements for Unemployment Insurance;
3. Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements for Workforce Innovation and Opportunity Act;
4. Strengthen Controls to Ensure Compliance with Special Tests – Program Integrity-Overpayments Requirements for Unemployment Insurance;
5. Strengthen Controls over Special Tests – Benefit Payments Requirements for Unemployment Insurance;

Please review the recommendations and submit a plan to implement them by July 24, 2023. 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 Department of Employment Security to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials

Mississippi Department of Employment Security

July 17, 2023

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and employees of the Mississippi Department of Employment Security. If you have any questions or need more information, please contact me.

Sincerely,



Angela Mire, CPA, CFE
Director, Agency 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 Employment Security for the year ended June 30, 2022.

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 identified as subject to audit in the OMB *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 Employment Security for the year ended June 30, 2022.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Mississippi Department of Employment Security's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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). Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mississippi Department of Employment Security's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mississippi Department of Employment Security's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Mississippi Department of Employment Security's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mississippi Department of Employment Security's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **2022-020**, **2022-021**, **2022-022**, **2022-023**, and **2022-024**.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance 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 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 a 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 described in the accompanying schedule of findings and questioned costs as items **2022-020**, **2022-021**, **2022-022**, and **2022-023** 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 described in the accompanying schedule of findings and questioned costs as item **2022-024** to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Findings and Recommendations

MATCHING, LEVEL OF EFFORT, EARMARKING

Material Weakness

Material Noncompliance

2022-021 Strengthen Controls to Ensure Compliance with Matching Requirements for Unemployment Insurance

ALN Number 17.225 – Unemployment Insurance

Federal Award No. UI-34724-20-55-A-28

Federal Agency Department of Labor

Pass-through Entity N/A

Questioned Costs \$1,248

Criteria Per the Department of Labor's *Unemployment Insurance Program Letter No. 18-20*, amount of Funds Transferred from FUA (Section 903(i)(1)(B), SSA) (42 U.S.C. § 1103(i)(1)(B)). Section 2103(b) of the *CARES Act* amended the *Social Security Act* (SSA) by adding a new subsection 903(i), SSA (42 U.S.C. § 1103(i)). Section 903(i)(1)(B), SSA (42 U.S.C. § 1103(i)(1)(B) authorizes transfers from the Federal Unemployment Account (FUA) to a state's account in the unemployment trust fund for one-half of the amount of compensation paid by the state to employees of state and local governmental entities, certain nonprofit organizations, and Federally-recognized Indian tribes that opt to make payments in lieu of contributions (i.e., reimbursing employers).

Important Program Dates. These partial reimbursements apply to all payments made in lieu of contributions for weeks of unemployment beginning on or after March 13, 2020 and ending on or before December 31, 2020, even if the unemployed individual is not unemployed as a result of COVID-19.

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 an agency should appropriately update program rules to meet federal program guidelines.

Condition During review of matching contributions and extended benefits in relation to unemployment insurance, it was noted that the Mississippi Department of Employment Security (MDES) treated all extended benefits claims as fully federally funded. Per discussion with MDES personnel, the agency specifically stated that they inadvertently programmed all employer accounts to qualify for federal sharing to extended benefits. This allowed local and state government entities and federally recognized Indian Tribes to qualify for extended benefits, however amounts over one-half of the amount of compensation paid by the state

to employees of state and local governmental entities and federally recognized Indian Tribes were prohibited per federal guidelines.

The auditor reviewed a listing of local and state government entities and federally recognized Indian tribes that received extended benefits and specifically verified that five of these entities did in fact receive extended benefits that should have been prohibited. The auditor verified that the total of benefits paid to these excluded entities amounted to \$1,248.

Cause	MDES inadvertently programmed all employer accounts to qualify for federal sharing of extended benefits including the local and state government entities and federally recognized Indian Tribes.
Effect	Extended benefit costs attributable to employment with state and local governments or federally recognized Indian tribes were fully funded with Federal dollars.
Recommendation	We recommend the Mississippi Department of Employment Security strengthen controls to ensure compliance with matching requirements for unemployment insurance.
Repeat Finding	Yes, 2021-022.
Statistically Valid	Yes.

REPORTING

Material Weakness

Immaterial Noncompliance

2022-022 Strengthen Controls to Ensure Compliance with Reporting Requirements for Unemployment Insurance

ALN Number 17.225 – Unemployment Insurance

Federal Award No. UI-34724-20-55-A-28

Federal Agency Department of Labor

Pass-through Entity N/A

Questioned Costs N/A

Criteria *The Code of Federal Regulations 2 CFR 200.302 states each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds*

have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

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 proper review and approval procedures should be in place to ensure accuracy and reliability of reports submitted by the agency.

Condition	During review of required monthly reports for ETA-9050, ETA-9052, and ETA-9055, there was no evidence of written supervisory approval for the reports submitted. The auditor reviewed four monthly reports, twelve in total, for each of the previously mentioned reports. The agency could not provide support to the auditors due to this report being system generated from ReEmploy. Due to a lack of evidence of review and support, the auditor is unable to determine accuracy within the performance review reports.
Cause	The Mississippi Department of Employment Security lacks adequate review procedures and proper internal controls over reporting requirements.
Effect	Without proper review and approval, reports could be inaccurate and incomplete.
Recommendation	We recommend the Mississippi Department of Employment Security strengthen controls to ensure compliance with reporting requirements for unemployment insurance.
Repeat Finding	Yes, 2021-026.
Statistically Valid	No.

Subrecipient Monitoring

Material Weakness

Material Noncompliance

2022-023	<u>Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements.</u>
ALN Number	17.258, 17.259, 17.278 – Workforce Innovation and Opportunity Act
Federal Award No.	N/A
Federal Agency	Department of Labor
Pass-through Entity	N/A
Questioned Costs	N/A

Criteria

Code of Federal Regulations (2 CFR §200.332(f)) states all pass-through entities (PTE's) must verify that every subrecipient is audited as required by Subpart F - Audit Requirements when it is expected that the subrecipient's Federal awards expended during the fiscal year equaled or exceeded the threshold—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 audit conducted—set forth in § 200.501 *Audit requirements*.

Code of Federal Regulations 2 CFR 200.332 (d) states to 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.

Sec. 184(a)(4) of the Workforce Innovation and Opportunity Act states the State must conduct an annual on-site monitoring review of each local area's compliance with 2 CFR part 200.

Code of Federal Regulations 2 CFR 200.332 (e) states depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- (1) Providing subrecipients with training and technical assistance on program-related matters; and
- (2) Performing on-site reviews of the subrecipient's program operations;
- (3) Arranging for agreed-upon-procedures engagements as described in § 200.425.

Condition

The Mississippi Department of Employment Security (MDES) does not efficiently or effectively review the required federal audits for Subrecipient Monitoring Requirements per 2 CFR 200.332 (f). For three out of thirteen subrecipients the agency did not maintain or provide the correct Single Audit or the determination if a Single Audit was required when requested.

MDES does not appropriately ensure on-site monitoring is done in a timely manner. During review of ten subrecipients, auditor noted that all documented monitoring was done after the fiscal year was complete, the monitoring was not completed on-site, and the reports for the monitoring were provided back to the agency after the fiscal year was complete.

Per discussion with agency personnel, a pre-award scoring is being performed to determine ability of the subrecipient to enact the grant, however a risk based assessment to ensure the subrecipient has proper accountability with the award is not being performed.

Cause

Staff did not follow policies and procedures for subrecipient on-site monitoring requirements.

Effect	Subrecipients could be in noncompliance with 2 CFR § 200.501, Audit requirements, and go undetected by MDES. In addition, MDES could lose federal funding for not properly monitoring their subrecipients. Without proper monitoring of their federal reports, subrecipients may participate in unallowable activities that goes undetected by MDES, the grantor.
Recommendation	We recommend that the Mississippi Department Employment Security strengthen controls to ensure compliance with the Subrecipient Monitoring requirements.
Repeat Finding	No.
Statistically Valid	No.

SPECIAL TESTS - OVERPAYMENTS

Material Weakness

Material Noncompliance

2022-020 Strengthen Controls to Ensure Compliance with Special Tests – Program Integrity-Overpayments Requirements for Unemployment Insurance

ALN Number 17.225 – Unemployment Insurance

Federal Award No. UI-34724-20-55-A-28

Federal Agency Department of Labor

Pass-through Entity N/A

Questioned Costs \$25,470

Criteria As stated in the *Attachment I to UIPL No. 16-20 Change I*, Pandemic Unemployment Assistance (PUA) payments must be reduced to recover overpayments for other states if the state has signed the Interstate Reciprocal Overpayment Recovery Arrangement (IRORA) agreement. However, the state may not offset more than 50 percent from the PUA payment to recover overpayments for other programs.

As stated in the *Attachment I to UIPL No. 17-20, Change I*, The state may not offset more than 50 percent from the Pandemic Emergency Unemployment Compensation (PEUC) payment to recover an overpayment.

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 agencies should correctly program systems to comply with federal guidelines.

Condition	<p>During testing performed on overpayments, the auditor noted that the Mississippi Department of Employment Security had incorrect offset percentages setup in ReEmploy MS to recover overpayments. The agency was incorrectly recovering overpayments by offsetting PUA and PEUC with other benefit programs. Specifically the agency used:</p> <ul style="list-style-type: none">• PUA benefit payments to offset 100% of overpayments that occurred from Mixed Earners Unemployment Compensation program (MEUC) and Federal Pandemic Unemployment Compensation (FPUC) benefits. Total known questioned costs relative to PUA benefit offsets is \$10,735.• PEUC benefit payments to offset 100% of overpayments that occurred from PUA, MEUC, FPUC, Regular Unemployment Insurance, and Extended Benefit overpayments. Total known questioned costs relative to PEUC benefit offsets is \$14,735.
Cause	<p>The agency has determined that the UIPLs issued by the Department of Labor (DOL) are not sufficient in altering the understanding MDES has for the <i>CARES Act</i> regulations. MDES does not believe that updating policies and procedures to follow the guidance issued by DOL is required if it is contradictory to their understanding of the <i>CARES Act</i> regulations.</p>
Effect	<p>The claimant may not receive the appropriate amount of PUA and PEUC benefits if the agency uses incorrect offset percentages to recover overpayments from the previously mentioned unemployment programs.</p>
Recommendation	<p>We recommended the Mississippi Department of Employment Security strengthen controls to ensure compliance with special tests – program integrity-overpayments requirements for unemployment insurance.</p>
Repeat Finding	<p>Yes, 2021-025.</p>
Statistically Valid	<p>Yes.</p>

SPECIAL TESTS – BENEFIT PAYMENTS

Significant Deficiency

2022-024	<u>Strengthen Controls to Ensure Compliance with Special Tests – Benefit Payments Requirements for Unemployment Insurance</u>
ALN Number	17.225 – Unemployment Insurance
Federal Award No.	UI-34724-20-55-A-28
Federal Agency	Department of Labor
Pass-through Entity	N/A
Questioned Costs	N/A

Criteria	<p>As stated in the <i>Employment and Training Handbook No. 395, 5th Edition</i>: Section 13: Completion of Cases and Timely Data Entry, “A case is complete when the investigation has been concluded as required, all official actions for the Key Week (except appeals) have been completed, the supervisor has signed off, and the results have been entered into the computer.”</p> <p><i>The Internal Control – Integrated Framework</i> published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the <i>U.S. Government Accountability Office Standards for Internal Control in the Federal Government</i> (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that agencies should appropriately sign and review benefit investigations.</p>
Condition	<p>During testing performed for Benefit Payments, the auditor noted that there were two instances out of fifty in which Benefit Accuracy Measurement (BAM) cases reviewed were not signed demonstrating evidence of supervisory/investigator review.</p>
Cause	<p>Due to lack of staffing, agency personnel failed to follow policies and procedures in regards to completing benefit accuracy measurement investigations.</p>
Effect	<p>Failure to complete and review of investigations may result in the integrity of the information being collected and recorded to be compromised.</p>
Recommendation	<p>We recommend the Mississippi Department of Employment Security strengthen controls to ensure compliance with special tests – benefit payments requirements for unemployment insurance.</p>
Repeat Finding	<p>No.</p>
Statistically Valid	<p>Yes.</p>

End of Report



Mississippi Department of Employment Security

Tate Reeves
Governor

Robin Stewart
Executive Director

SINGLE AUDIT FINDINGS

July 21, 2023

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 Employment Security submits for your review, its responses to the single audit findings for Fiscal Year 2022.

ALN Number 17.225 – Unemployment Insurance

2022-021 – Strengthen Controls to Ensure Compliance with Matching Requirements for Unemployment Insurance.

Cat – C, Finding Type, A, C1 (MW, MNC)

MDES Response:

MDES has begun evaluating both the requirements for and the analysis of the recommended system programming changes to implement the suggested controls. MDES has a goal date of October 31, 2023 to complete the recommended corrective action.

ALN Number 17.225 – Unemployment Insurance

2022-022 – Strengthen Controls to Ensure Compliance with Reporting Requirements for Unemployment Insurance.

Cat – L, Finding Type, A, C2 (MW, IMNC)

MDES Response:

During the pandemic emergency, MDES relied upon the procedures encoded in ReEmployMS to generate the non-emergency tasks. Currently, the Policy and Compliance staff conduct random reviews and tests of both files and reports for accuracy validation

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using samples identified by the US DOL. The ReEmployMS system generates and stores flat files containing the specific individual records to create the ETA reports. When an error occurs in the generated reports, the staff receive alerts to review the data and reconcile the report. If the system does not generate an error, the information passes as accurate and verification occurs later upon the generation of test samples.

Corrective Action Plan:

After the relative subsidence of the COVID-19 crisis and review of our activities, MDES better appreciates the value of ensuring that appropriate staff review reports and of maintaining documentation for each examination. Moreover, MDES currently has procedures in place to ensure the review of all reports and to document such activities.

***ALN Number 17.258, 17.259, 17.278 – Workforce Innovation and Opportunity Act
2022-023 – Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements.***

Cat – M, Finding Type, A, C1 (MW, MNC)

MDES Response:

The Mississippi Department of Employment Security concurs in principle with the three conditions noted in the finding. During and prior to this audit, MDES enacted new procedures to address the concerns noted in this finding. MDES renewed its commitment to ensuring that subrecipients are qualified to receive funds. MDES contracted with Booth Management Consultants and more recently Trace Advisory Group to ensure compliance with all DOL monitoring requirements, including on-site monitoring and through other modes. Also, we started implementing a risk-based assessment tool to ensure the performance of a thorough qualification assessment on all grantees.

Corrective Action Plan:

A. The Offices of Grant Management and Business Management will develop a plan to document our assessment of the subrecipients' awareness of audit requirements at 2 CFR 200.332(f). MDES will start implementing the plan detailed below on or before October 31, 2023. This plan involves the following:

- 1) Perform a pre-award risk assessment to determine risk for awarding grant and the level of monitoring required during program;
- 2) Issue a standardized audit requirement letter or agreed upon procedures to all subgrantees to remind them of grant requirements;
- 3) Receipt of required federal single audit from subgrantees expending more than \$750,000 in federal funds from all sources OR receipt of a statement that the entity did not meet this threshold;

- 4) Document the review and assessment of the audits received for findings or questioned costs using tools, such as the templates found in the DOL Core Monitoring Guide; and
 - 5) Document all required agency action necessary to mitigate the risks identified in the audits.
- B. COVID-19 caused extensive travel and in-person meeting restrictions nationwide. MDES did not restrict travel or virtual meetings. As contact guidelines fluctuated, the on-site monitoring team had discretion regarding the method to conduct this process. Also during this time, DOL staff observed similar contact restrictions, which limited federal monitoring of MDES. Such challenges and restrictions no longer exist. MDES will perform on-site and remote monitoring, as required. Where possible, MDES intends to conduct future monitoring on-site. MDES management will also hold regular meetings with the subrecipients to monitor progress and to ensure questions related to grant expenditures receive timely responses.
- C. Although the agency did not perform a risk-based assessment in the year reviewed by the auditors (PY21), MDES did incorporate the Risk Assessment Tool, *Tool S* from the U. S. Department of Labor's Core Monitoring Guide, into its review of subgrantees for PY 2022. MDES will continue to ensure the performance of a thorough risk-based assessment on all grantees.

ALN Number 17.225 – Unemployment Insurance

2022-020 – Strengthen Controls to Ensure Compliance with Special Tests – Program Integrity – Overpayments Requirements for Unemployment Insurance.
Cat – N, Finding Type, A, C1 (MW, MNC)

MDES Response:

MDES respectfully disagrees with this finding because the flexibility to present its interpretations of federal guidance as impacted by state law to DOL for approval remains a cornerstone of the federal-state dynamic of the unemployment insurance system. In addition, the federal pandemic programs that Congress required MDES to institute involved broad, complex, and overlapping processes. MDES worked tirelessly to ensure that we followed all federal guidelines to the best of our ability while promptly enacting the pandemic program. In addition, DOL issued many updates to the federal guidelines including program changes via UIPLs. These UIPLs also referenced prior UIPLs and guidelines creating a high level of complexity when the pandemic demanded swift decisions and rapid implementation of program changes to provide vital assistance to Mississippi's citizens suddenly thrust into unemployment. MDES will continue to work with DOL regarding its interpretations of federal program guidance as affected by state law.

MDES maintains an on-going review of these programs to determine proper and timely payments and offsets under each program and will make necessary programmatic changes to ensure we properly issue payments and make offsets in compliance with federal and

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state guidelines. On June 19, 2023, MDES implemented an updated process to adjust the offset percentages for these programs.

ALN Number 17.225 – Unemployment Insurance

**2022-024 – Strengthen Controls to Ensure Compliance with Special Tests – Benefit Payments Requirements for Unemployment Insurance.
Cat – N, Finding Type B (SD)**

MDES Response:

MDES appreciates the value of ensuring that appropriate staff review reports and of maintaining appropriate documentation of supervisor/investigator signatures after examination of each report. This finding identified isolated and non-reoccurring incidents. Moreover, MDES has procedures in place to ensure the review of all reports and documentation of such activities

Corrective Action Plan:

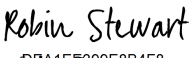
MDES has adopted the corrective procedures listed below for the activities relevant to this finding. MDES staff have the option to use the DocuSign for this process. We shall evaluate the efficiency and effectiveness of these procedures and modify them as necessary.

- A. The reviewer in the department prepares the draft report and sends it to the appropriate manager/supervisor for review, editing, and approval.
- B. The appropriate manager/supervisor receives the report, reviews it, makes changes as necessary, and approves it.
- C. The appropriate manager/supervisor or designated records custodian receives the approval, prints it, and stores the report with the record of the review.

MDES appreciates the opportunity to respond to the Single Audit findings and to outline our plan to address the recommendations therein.

Sincerely,

MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY

DocuSigned by:

Robin Stewart
Interim Executive Director