



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

July 20, 2023

**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 is the single audit findings for the Mississippi Department of Finance and Administration for Fiscal Year 2022. In these findings, the Auditor's Office recommends the Mississippi Department of Finance and Administration:

Single Audit Findings

1. Strengthen Controls to Ensure Compliance with Eligibility Requirements for the Emergency Rental Assistance Program.
2. Strengthen Controls to Ensure Compliance with Federal Monitoring Requirements.

Please review the recommendations and submit a plan to implement them by July 27, 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 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. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Angela Mire".

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 Finance and Administration 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 Finance and Administration'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 Finance and Administration 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 Finance and Administration'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 Finance and Administration'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 Finance and Administration'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 Finance and Administration'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 Finance and Administration'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 **2022-031**, and **2022-032**.

#### **Report on Internal Control over Compliance**

*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. 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 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, we identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2022-031** and **2022-032** to be material weaknesses.

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**

**ELIGIBILITY**

***Material Weakness***

***Material Noncompliance***

**2022-031** Strengthen Controls to Ensure Compliance with Eligibility Requirements for the Emergency Rental Assistance Program.

**ALN Number** 21.023 COVID-19 Emergency Rental Assistance (ERA)

**Federal Award No.** N/A

**Federal Agency** Department of Treasury

**Pass-through Entity** N/A

**Questioned Costs** N/A

**Criteria** *Code of Federal Regulations (2 CFR 200.303(a))* states that the Non-federal entity should 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 Sponsoring Organizations of the Treadway Commission (COSO).

*Frequently Asked Questions (FAQ’s) as guidance regarding the requirements of the Emergency Rental Assistance program (ERA1) established by section 501 of Division N of the Consolidated Appropriation Act, 2021, Pub. L. No. 116-260 (December 27, 2020) and the Emergency Rental Assistance Program (ERA2) established by section 3201 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (March 11, 2021)* states that grantees must require all applications for assistance to include an attestation from the applicant household that all information included is correct and complete. In all cases, grantees must document their policies and procedures for determining household eligibility to include policies and procedures for determining the prioritization of households in compliance with the statute and maintain records of their determinations. Grantees must also have controls in place to ensure compliance with their policies and procedures and prevent fraud.

**Condition** The Department of Finance and Administration (DFA) did not review and assess procedures over eligibility determination to prevent fraudulent applications from being approved and funds disbursed. DFA’s third-party administrator, Mississippi Home Corporation (MHC), fiscal year 2022 single audit report identified a finding related to the approval of fraudulent applications due to the self-attestation process. DFA did not implement nor ensure that corrective action was implemented to mitigate the fraud from reoccurring.

<b>Cause</b>	DFA does not consider MHC as a subrecipient nor does DFA assume responsibility for the direct and material compliance requirements. The program is administered without any responsibility and oversight from the State of Mississippi, the grant recipient.
<b>Effect</b>	Without proper monitoring and administration of the grant, the risk of non-compliance due to fraud is increased and could result in questioned costs.
<b>Recommendation</b>	We recommend the Department of Finance and Administration strengthen controls to ensure compliance with eligibility requirements for the Emergency Rental Assistance Program.
<b>Repeat Finding</b>	No.
<b>Statistically Valid</b>	No.

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## MONITORING

### *Material Weakness* *Material Noncompliance*

<b>2022-032</b>	<u>Strengthen Controls to Ensure Compliance with Federal Monitoring Requirements.</u>
<b>ALN Number</b>	21.023 COVID-19 Emergency Rental Assistance (ERA) 21.026 COVID-19 Homeowners Assistance Fund (HOF)
<b>Federal Award No.</b>	N/A
<b>Federal Agency</b>	U.S. Department of Treasury
<b>Pass-through Entity</b>	N/A
<b>Questioned Costs</b>	N/A
<b>Criteria</b>	<i>Code of Federal Regulations (2 CFR 200.400)</i> requires the non-federal entity: <ul style="list-style-type: none"><li>• To be responsible for the efficient and effective administration of the Federal award through the application of sound management practices.</li><li>• Assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.</li><li>• Ensure the cost allocation plans or indirect cost proposals, the cognizant agency for indirect costs should generally assure that the non-Federal entity is applying these cost accounting principles on a consistent basis during the review and negotiation of indirect cost proposals. Where wide variations exist in the treatment of a given cost item by the non-Federal entity, the reasonableness and equity of such treatments should be fully considered.</li></ul>

*Code of Federal Regulations (2 CFR 200.303)* requires the Non-federal entity:



- 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).
- Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations and terms and conditions of Federal awards.

<b>Condition</b>	<p>The Department of Finance and Administration (DFA) passed federal funds to a third-party administrator, Mississippi Home Corporation (MHC) but did not document this subrecipient relationship via a subaward agreement, nor did DFA monitor and support MHC as a subrecipient. MHC is a quasi-governmental agency and not part of the State of Mississippi’s financial reporting structure. Therefore, due to lack of support of the subrecipient relationship, we the deemed the programs to be administered by DFA.</p> <p>During testing we noted that DFA did not assume responsibility for the administration of the federal award as required by 2 <i>CFR</i> 200.400, nor did they establish and maintain effective internal controls over the federal award as required by 2 <i>CFR</i> 200.303. DFA did not document their review and approval of program costs which included payroll cost charged to the program based on a billing methodology used for program cost charged to U.S. Department of Housing and Urban Development (HUD) housing counseling grants. There was no evidence of DFA’s review and approval over eligibility determined by the MHC or financial and programmatic reports prepared by MHC.</p>
<b>Cause</b>	<p>The Mississippi Department of Finance and Administration (DFA) does not consider Mississippi Home Corporation as a subrecipient nor does DFA assume responsibility for the direct and material compliance requirements. The program is administered without any responsibility and oversight from the State of Mississippi, the grant recipient.</p>
<b>Effect</b>	<p>Without proper monitoring there is an increased risk of charging unallowed costs and activity to the program and noncompliance with direct and material compliance requirements.</p>
<b>Recommendation</b>	<p>We recommend the Department of Finance and Administration strengthen controls to ensure compliance with monitoring processes in order to ensure federal compliance requirements are being met.</p>
<b>Repeat Finding</b>	<p>Yes; 2021-032.</p>
<b>Statistically Valid</b>	<p>N/A.</p>



**STATE OF MISSISSIPPI**  
GOVERNOR TATE REEVES

**DEPARTMENT OF FINANCE AND ADMINISTRATION**

LIZ WELCH  
EXECUTIVE DIRECTOR

July 26, 2023

**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 2022. 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 COVID-19 Emergency Rental Assistance (ERA)

Eligibility

2022-031 Strengthen Controls to Ensure Compliance with Eligibility Requirements for the Emergency Rental Assistance Program

Response:

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 assess and conduct eligibility determinations 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 has eligibility and fraud prevention policies in place; however, this grant program is no longer accepting applications.
- B. N/A
- C. N/A
- D. N/A

21.023 COVID-19 Emergency Rental Assistance (ERA)

21.026 COVID-19 Homeowners Assistance Fund (HAF)

Monitoring

2022-032 Strengthen Controls to Ensure Compliance with Federal Monitoring Requirements

Response:

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 3<sup>rd</sup> party monitor.
- B. Mississippi Home Corporation Director Scott Spivey
- C. N/A
- D. N/A



Liz Welch, Executive Director  
Mississippi Department of Finance and Administration