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**FINANCIAL STATEMENTS OF THE GENERAL FUND OF  
STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT  
SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)**

**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**



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**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
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## INDEPENDENT AUDITORS' REPORT

Mississippi Department of Employment Security  
(A Department of the State of Mississippi)  
Jackson, Mississippi

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the general funds 5367100000 and 88367800000 of Mississippi Department of Employment Security (MDES), a Department of the State of Mississippi, (the general funds) as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general funds of MDES as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MDES and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the general funds and do not purport to, and do not, present fairly the financial position of the MDES or State of Mississippi, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MDES's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplemental Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the funds' financial statements. Such missing information, although not a part of the funds' financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the funds' financial statements in an appropriate operational, economic, or historical context. Our opinions on the funds' financial statements are not affected by this missing information.

Mississippi Department of Employment Security  
(A Department of the State of Mississippi)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2024 on our consideration of MDES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MDES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDES's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
May 21, 2024

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
BALANCE SHEET  
JUNE 30, 2023**

	<u>Fund 5367100000</u>	<u>Fund 883680000</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,313,815	\$ 12,612,768	\$ 14,926,583
Receivables, net:			
Accounts receivable	1,790,661	-	1,790,661
Assessments	-	6,700,000	6,700,000
Tax liens	-	755,259	755,259
Due from other governments	12,356,466	-	12,356,466
Due from other state funds	9,680,891	266,001	9,946,892
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 26,141,833</u>	<u>\$ 20,334,028</u>	<u>\$ 46,475,861</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 9,889,636	\$ -	\$ 9,889,636
Due to other governments	84,179	-	84,179
Due to other state funds	8,133,623	20,295,314	28,428,937
Due to component units	366,248	-	366,248
Unearned Revenue	5,798	-	5,798
Total liabilities	<u>18,479,484</u>	<u>20,295,314</u>	<u>38,774,798</u>
<b>FUND BALANCE</b>			
Restricted for workforce development	7,662,349	-	7,662,349
Restricted for workforce enhancement training	-	38,714	38,714
Total fund balance	<u>7,662,349</u>	<u>38,714</u>	<u>7,701,063</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balance	<u>\$ 26,141,833</u>	<u>\$ 20,334,028</u>	<u>\$ 46,475,861</u>

See accompanying Notes to Financial Statements.



**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2023**

	<u>Fund 5367100000</u>	<u>Fund 883680000</u>	<u>Total</u>
<b>REVENUES</b>			
Assessments	\$ 160,013	\$ 29,650,570	\$ 29,810,583
Federal grants	74,610,491	-	74,610,491
Interest income	250	594	844
Charges for services	444,652	-	444,652
Other income	20,226,468	-	20,226,468
Total revenues	<u>95,441,874</u>	<u>29,651,164</u>	<u>125,093,038</u>
<b>EXPENDITURES</b>			
General Government:			
Claims and benefits	42,962,878	-	42,962,878
Salaries and benefits	23,678,010	-	23,678,010
Travel	400,398	-	400,398
Contractual services	26,805,831	-	26,805,831
Commodities	581,109	-	581,109
Capital outlay	(97,236)	-	(97,236)
Debt service:			
Interest and other fiscal charges	2,535	-	2,535
Total expenditures	<u>94,333,525</u>	<u>-</u>	<u>94,330,990</u>
Excess of revenues over expenditures	189,775,399	29,651,164	219,424,028
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,310,711	-	2,310,711
Transfers out	(204,364)	(29,633,120)	(29,837,484)
Total other financing sources (uses)	<u>2,106,347</u>	<u>(29,633,120)</u>	<u>94,333,525</u>
<b>NET CHANGE IN FUND BALANCE</b>	3,214,696	18,044	3,232,740
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>4,447,653</u>	<u>20,670</u>	<u>4,468,323</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 7,662,349</u>	<u>\$ 38,714</u>	<u>\$ 7,701,063</u>

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY**  
**(A DEPARTMENT OF THE STATE OF MISSISSIPPI)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Background Information**

The Mississippi Department of Employment Security (MDES) is a state agency whose main function is to help Mississippians get jobs. Through a network of job centers, MDES matches qualified, prospective employees with employers. Also at the Job Centers, Mississippians can obtain job training to sharpen their work skills and make themselves more competitive in the job market. In addition, MDES administers the unemployment benefits program that provides payments to Mississippians who have lost their jobs through no fault of their own. This temporary compensation enables unemployed individuals to concentrate on securing new jobs.

**Financial Reporting Entity**

MDES is a state agency included in the general fund of the State of Mississippi's Annual Comprehensive Financial Report. The selected funds presented in these financial statements are part of the larger entity that in whole comprises the financial reporting entity of MDES. MDES is a federally-funded state agency and authority to expend funds is granted by the state legislature. The programs of MDES, under the direction of the governor of Mississippi, report to the federal government.

MDES Fund 8836780000 is the Workforce Enhancement Training Fund which is a special revenue fund that accounts for payment of monies to the Mississippi Community College Board, the State Workforce Investment Board or Mississippi Works. Through the Workforce Enhancement Training Fund, community colleges partner with businesses to design and implement specialized short-term training programs to teach skills employees need to be productive in their jobs. Funds are provided through Mississippi employer tax assessments.

MDES Fund 5367100000 is the Local Workforce Development Fund which is a special revenue fund that accounts for payment of monies to contracted providers. Through the Local Workforce Development Fund, residents can receive variety of employment services to ensure all job seekers have the resources and tools needed to secure gainful employment. The services include job placement assistance, referral to training, priority of service for veterans, career counseling, and referrals to other workforce partner programs.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). MDES Funds 8836780000 and 5367100000 are governmental special revenue funds reported as general funds and are presented as such in these statements and in the fund financial statements of the State of Mississippi Annual Comprehensive Financial Report. These financial statements do not constitute a complete presentation because they do not present the government-wide financial statements, reconciliations to the government-wide financial statements, management's discussion and analysis, or budgetary information.

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

The financial statements of MDES are intended to present the financial position and changes in financial position of the general funds of MDES that are attributable to the transactions of the general funds of MDES. They do not present fairly, the financial position of the MDES or State of Mississippi as of June 30, 2023, and the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis of Accounting/Measurement Focus**

Government fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on the balance sheet. Under this method, revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year-end to liquidate liabilities existing at the end of the fiscal year. The MDES considers revenues received within 60 days after fiscal year-end as available. Significant revenue sources that are susceptible to accrual include federal grants and employer tax assessments. Other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires MDES to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and other changes in fund balances during the period. Actual results could differ from those estimates.

**Receivables**

MDES records accounts receivable at net realizable amounts from employers. MDES provides an allowance for uncollectible accounts, when necessary, based upon a review of outstanding receivables, historical collection information and existing economic conditions. As of June 30, 2023, the amount of the allowance was appropriately \$1,686,680. As an agency of the State of Mississippi, the MDES is precluded by statute from discharging amounts owed. Accordingly, gross accounts receivable and the allowance for doubtful accounts include amounts considered to be 100% uncollectible and fully reserved in a prior year.

**Activity with Other State Funds**

Transactions for services rendered by one state fund, including other MDES funds, to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund.

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Activity with Other State Funds (Continued)**

Reimbursements of expenditures/expenses made by one state fund, including other MDES funds, for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers to (from) other state funds represent flows of assets between funds without equivalent flows of assets in return and without a requirement for payment.

Funds 8836780000 and 536710000 are only a part of MDES. Balances with other state funds, including other MDES funds, have not been eliminated from the balance sheet. Amounts due to and due from other funds represent billings between funds. Transfers between funds are primarily used to move revenues from funds that are required to collect them, to funds required to expend them and to transfer revenues collected in other funds to Funds 8836780000 and 536710000 in accordance with budgetary authorizations.

**Unearned Revenue**

Unearned revenue represents grant revenue received prior to all eligibility requirements being met. Unearned revenue is reported as a liability until the eligibility requirements are met.

**Risk Management**

MDES is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The State of Mississippi has elected to finance most exposures to risk through the retention of risk. The State utilizes the internal service Risk Management Fund to account for these activities.

**Fund Balances – Governmental Funds**

MDES presents within the general funds of the MDES defined fund balance categories demonstrate the nature and extent of the constraint placed on the selected funds' fund balances. The classifications used in the financial statements are based on the following methodology:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts that may only be spent for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

**Committed** – This classification includes amounts that can be used only for the specific purposes determined by enabling legislations by the State legislature.

**Unassigned** – The residual classification for the general fund and includes all amounts not contained in the other classifications. The unassigned classification is also used to report a deficit balance resulting from overspending for specific purposes for which amount had been restricted, committed or assigned.

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances – Governmental Funds (Continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, MDES considers restricted resources to have been spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, MDES considers committed, assigned, and unassigned amounts to have been spent in that order.

**NOTE 2 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are defined as demand deposit accounts and equity in State Treasury Funds. Equity in State Treasury Funds consists of pooled cash held by the Treasurer of the State of Mississippi.

Custodial risk is the risk that in the event of bank failure, a government's deposits may not be returned. MDES's deposit policy for protection of custodial risk is handled under a statewide collateral program. The collateral for public entities' deposits in financial institutions is held by the depository bank in the name of the State Treasurer under a program established by the State of Mississippi Legislature and is governed by Section 27 105-5, Miss. Code Ann. (1972). Under this program, the entities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Information regarding the collateralization of deposits held by this pool at June 30, 2023, will be presented in the State of Mississippi ACFR for the year ended June 30, 2023.

At June 30, 2023, none of the deposits were exposed to custodial credit risk.

**NOTE 3 TRANSACTIONS WITH OTHER STATE FUNDS**

As of June 30, 2023, payables to other state funds, including other MDES funds, consisted of:

	<u>Fund 5367100000</u>	<u>Fund 883680000</u>
<u>June 30, 2023</u>	<u>Amount</u>	<u>Amount</u>
Mississippi Community College Board	\$ -	\$ 14,624,231
State Workforce Investment Board	-	1,014,779
Other Mississippi Department of Employment Security Funds	8,133,623	4,656,304
<b>Total Payables</b>	<u>\$ 8,133,623</u>	<u>\$ 20,295,314</u>

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3    TRANSACTIONS WITH OTHER STATE FUNDS (CONTINUED)**

As of June 30, 2023, transfers to other state funds, consisted of:

	<u>Fund 5367100000</u>	<u>Fund 883680000</u>
<u>Year Ended June 30, 2023</u>	<u>Amount</u>	<u>Amount</u>
Mississippi Community College Board	\$ -	\$ 21,641,838
State Workforce Investment Board	-	1,482,669
Other Mississippi Department of Employment Security Funds	204,364	6,508,613
<b>Total Transfers to Other State Funds</b>	<u><u>\$ 204,364</u></u>	<u><u>\$ 29,633,120</u></u>

**NOTE 4    SUBSEQUENT EVENTS**

In connection with the preparation of the financial statements, management of MDES has evaluated subsequent events through May 21, 2024, which is the date the financial statements were available to be issued.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mississippi Department of Employment Security  
(A Department of the State of Mississippi)  
Jackson, Mississippi

We have audited, in accordance with the 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, the financial statements of the General Funds 5367100000 and 88367800000 of Mississippi Department of Employment Security (MDES), a Department of the State of Mississippi, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Mississippi Department of Employment Security's general funds financial statements, and have issued our report thereon dated May 21, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 opinions on the general funds financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mississippi Department of Employment Security's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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. 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mississippi Department of Employment Security's governmental funds financial statements are free from 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
May 21, 2024





CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

**FINANCIAL STATEMENTS OF THE PROPRIETARY FUNDS OF  
STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT  
SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)**

**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**



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**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
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## INDEPENDENT AUDITORS' REPORT

Mississippi Department of Employment Security  
(A Department of the State of Mississippi)  
Jackson, Mississippi

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the Proprietary Funds 8819100000 and 8819400000 of Mississippi Department of Employment Security (MDES), a Department of the State of Mississippi, (the proprietary funds) as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary funds of MDES as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MDES and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the proprietary funds and do not purport to, and do not, present fairly the financial position of the MDES or State of Mississippi, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MDES's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplemental Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the funds' financial statements. Such missing information, although not a part of the funds' financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the funds' financial statements in an appropriate operational, economic, or historical context. Our opinions on the funds' financial statements are not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2024 on our consideration of MDES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MDES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDES's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
May 21, 2024

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
BALANCE SHEET  
JUNE 30, 2023**

	<u>Fund 8819100000</u>	<u>Fund 8819400000</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 738,233,427	\$ -	\$ 738,233,427
Receivables, net:			
Accounts receivable	85,315,218	-	85,315,218
Assessments	16,400,166	-	16,400,166
Tax liens	5,125,396	-	5,125,396
Due from other governments	3,741,723	-	3,741,723
Due from other state funds	72,086	221,671	293,757
Due from component units	45,710	-	45,710
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 848,933,726</u>	<u>\$ 221,671</u>	<u>\$ 849,155,397</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 58,066	\$ 1,051	59,117
Due to other governments	68,475,999	-	68,475,999
Due to other state funds	1,540,108	117	1,540,225
Claims and benefits payable	11,925,414	10,681	11,936,095
Unearned revenue	14,759,649	209,822	14,969,471
Total liabilities	<u>96,759,236</u>	<u>221,671</u>	<u>96,980,907</u>
<b>NET POSITION</b>			
Restricted for unemployment compensation benefits	752,174,490	-	752,174,490
Total net position	<u>752,174,490</u>	<u>-</u>	<u>752,174,490</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and net position	<u>\$ 848,933,726</u>	<u>\$ 221,671</u>	<u>\$ 849,155,397</u>

See accompanying Notes to Financial Statements.

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2023**

	<u>Fund 8819100000</u>	<u>Fund 8819400000</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Assessments	\$ 62,849,314	\$ -	\$ 62,849,314
Federal grants	6,554,775	749,444	7,304,219
Fines and penalties	5,644,320	-	5,644,320
Total revenues	<u>75,048,409</u>	<u>749,444</u>	<u>75,797,853</u>
<b>OPERATING EXPENSES</b>			
Claims and benefits	<u>24,405,145</u>	<u>749,256</u>	<u>25,154,401</u>
Total operating expenses	<u>24,405,145</u>	<u>749,256</u>	<u>25,154,401</u>
Operating income	50,643,264	188	100,952,254
<b>NONOPERATING REVENUES</b>			
Investment Income	11,632,669	-	11,632,669
Transfers out	<u>(2,432,172)</u>	<u>-</u>	<u>(2,432,172)</u>
Total nonoperating revenues	<u>9,200,497</u>	<u>-</u>	<u>25,154,401</u>
<b>NET CHANGE IN NET POSITION</b>	59,843,761	188	59,843,949
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>692,330,729</u>	<u>(188)</u>	<u>692,330,541</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 752,174,490</u>	<u>\$ -</u>	<u>\$ 752,174,490</u>

See accompanying Notes to Financial Statements.



**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2023**

	<u>Fund 8819100000</u>	<u>Fund 8819400000</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
Cash receipts from federal agencies	\$ 4,488,943	\$ 749,444	\$ 5,238,387
Cash receipts from assessments	71,053,852	-	71,053,852
Cash receipts from fines and forfeitures	5,644,320	-	5,644,320
Cash paid for claims and benefits	(19,133,576)	(749,444)	(19,883,020)
Net cash provided by operating activities	62,053,539	-	62,053,539
<b>INVESTING ACTIVITIES</b>			
Investment income	11,632,669	-	11,632,669
Net cash provided by investing activities	11,632,669	-	11,632,669
Increase in Cash and cash equivalents	73,686,208	-	73,686,208
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>664,547,219</u>	<u>-</u>	<u>664,547,219</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 738,233,427</u>	<u>\$ -</u>	<u>\$ 738,233,427</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income	\$ 50,643,264	\$ 188	\$ 50,643,452
Changes in assets and liabilities:			
Receivables	71,590,184	-	71,590,184
Due from other governments	(2,065,832)	-	(2,065,832)
Due from component units	10,103	-	10,103
Accounts payable and accrued liabilities	(3,704)	(3,477)	(7,181)
Due to other governments	(59,982,775)	-	(59,982,775)
Claims and benefits payable	5,275,273	3,289	5,278,562
Unearned revenue	(3,412,974)	-	(3,412,974)
Net cash provided by operating activities	<u>\$ 62,053,539</u>	<u>\$ -</u>	<u>\$ 62,053,539</u>

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Background Information**

The Mississippi Department of Employment Security (MDES) is a state agency whose main function is to help Mississippians get jobs. Through a network of job centers, MDES matches qualified, prospective employees with employers. Also at the Job Centers, Mississippians can obtain job training to sharpen their work skills and make themselves more competitive in the job market. In addition, MDES administers the unemployment benefits program that provides payments to Mississippians who have lost their jobs through no fault of their own. This temporary compensation enables unemployed individuals to concentrate on securing new jobs.

**Financial Reporting Entity**

MDES is a state agency included in the general fund of the State of Mississippi's Annual Comprehensive Financial Report. The proprietary funds presented in these financial statements are part of the larger entity that in whole comprises the financial reporting entity of MDES. MDES is a federally-funded state agency and authority to expend funds is granted by the state legislature. The programs of MDES, under the direction of the governor of Mississippi, report to the federal government.

MDES Fund 8819100000 is the Unemployment Compensation Fund which accounts for the collection of unemployment insurance taxes from employers and the payment of unemployment benefits to eligible claimants. Funds are also provided by the federal government and investment income.

MDES Fund 8819400000 is the Federal Unemployment Compensation Fund provides benefits for eligible unemployed former civilian Federal employees. The program is administered by the state of Mississippi as an agent of the Federal government. This program is operated under the same terms and conditions that apply to the regular State Unemployment Insurance.

**Measurement Focus and Basis of Accounting**

The financial statements presented are those required for a business-type activity presentation and are prepared using the economic measurement focus and the accrual basis of accounting. MDES Funds 8819100000 and 8819400000 are proprietary funds and will be presented as such in these financial statements and in the State of Mississippi Annual Comprehensive Financial Report.

Proprietary fund statements are reporting using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus and Basis of Accounting (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses from these proprietary funds include benefits and aid payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The financial statements of the proprietary funds of MDES are intended to present the financial position and changes in financial position of the proprietary funds of MDES that is attributable to the transactions of the proprietary funds of MDES. They do not present fairly, the financial position of the State of Mississippi as of June 30, 2023, and the changes in its financial position, or cash flows thereof for the year then ended in accordance with accounting principle generally accepted in the United States of America.

**Cash**

MDES considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023, cash and cash equivalents consisted of demand deposits and U.S. Treasury deposits.

**Receivables**

MDES records accounts receivable related to the unemployment insurance program at net realizable amounts from employers, program participants and other governmental entities. MDES provides an allowance for uncollectible accounts, based upon a review of outstanding receivables, historical collection information and existing economic conditions. As of June 30, 2023, the amount of the allowance was appropriately \$328,679,126. As an agency of the State of Mississippi, the MDES is precluded by statute from discharging amounts owed. Accordingly, gross accounts receivable and the allowance for doubtful accounts include amounts considered to be 100% uncollectible and fully reserved in a prior year.

**Interfund Activity**

In the proprietary fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of MDES without equivalent flows of assets in return and without a requirement for payment.

**Claims and Benefits Payable**

A liability for an insurance claim is established if information indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Claims and benefits payable represent amounts incurred prior to the reporting date.

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

The difference between assets and liabilities is net position. Net position that is restricted for specific purposes by external resource providers or are legally restricted to a specific use or are not available for appropriation or expenditures are reported as restricted. Restrictions may only be changed or lifted with the consent of resource providers. The net position of Fund 8819100000 is restricted for unemployment compensation benefits. The net position of Fund 8819400000 is restricted for federal unemployment compensation benefits. MDES utilizes restricted net position balances first, followed by unrestricted when available for the same purposes.

**Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires MDES to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and other changes in fund balances during the period. Actual results could differ from those estimates.

**Risk Management**

MDES is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; errors and omissions; employee health, dental and accident benefits. The State of Mississippi has elected to finance most exposures to risk through the retention of risk. The State utilizes the internal service Risk Management Fund to account for these activities.

**Federal Grants**

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when all eligibility requirements are met, including any time requirements. Federal reimbursement type grants are recorded as revenues when the related expenses are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

**Unearned Revenue**

Unearned revenue are recognized when revenues are received prior to meeting eligibility requirements.

**NOTE 2 CASH AND CASH EQUIVALENTS**

Custodial risk is the risk that in the event of bank failure, a government's deposits may not be returned to it. MDESS' deposit policy for custodial risk requires compliance with the provisions of state law.

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

Deposits in the "benefit payment account" are governed by Section 71-5-455, Miss. Code Ann. (1972), which provides that MDES shall be governed by Section 27 105-5, Miss. Code Ann. (1972). Under this program, the state's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Deposits are included in the financial statements as follows:

	<u>Fund 8819100000</u>	<u>Fund 8819400000</u>
Carrying value:		
Trust fund - U.S. Treasury deposits	\$ 685,323,226	\$ -
Demand deposits	<u>52,910,201</u>	<u>-</u>
Total	<u>\$ 738,233,427</u>	<u>\$ -</u>

U.S. Treasury deposits pay interest based on current rates for short-term government securities. At June 30, 2023, none of the deposits were exposed to custodial credit risk.

**NOTE 3 TRANSACTIONS WITH OTHER STATE FUNDS**

As of June 30, 2023, receivables and payables to other state funds, including other MDES funds, consisted of:

	<u>Fund 8819100000</u>		<u>Fund 8819400000</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Receivables</u>	<u>Payables</u>
Governmental funds within MDES	\$ -	\$ 345,613	\$ -	\$ -
MS Department of Human Services	-	9,148	-	117
MDES proprietary funds	-	221,671	221,671	-
MS Department of Finance and Administration	<u>72,086</u>	<u>963,676</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 72,086</u>	<u>\$ 1,540,108</u>	<u>\$ 221,671</u>	<u>\$ 117</u>

As of June 30, 2023, transfers to other state funds, consisted of:

	<u>Fund 8819100000</u>		<u>Fund 8819400000</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds within MDES	\$ -	\$ -	\$ -	\$ -
MS Department of Human Services	-	-	-	-
MDES proprietary funds	-	-	-	-
MS Department of Finance and Administration	<u>-</u>	<u>(2,432,172)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY**  
**(A DEPARTMENT OF THE STATE OF MISSISSIPPI)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 4 CONTINGENCIES**

MDES is currently participating in numerous grants from various departments of the federal government. The expenditures of the grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time, although MDES expects such amounts, if any, to be immaterial to the net position and results of operations of the funds selected for audit.

**NOTE 5 SUBSEQUENT EVENTS**

In connection with the preparation of the financial statements, management of MDES has evaluated subsequent events through May 21, 2024, which is the date the financial statements were available to be issued.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mississippi Department of Employment Security  
(A Department of the State of Mississippi)  
Jackson, Mississippi

We have audited, in accordance with the 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, the financial statements of the Proprietary Funds 8819100000 and 8819400000 of Mississippi Department of Employment Security (MDES), a Department of the State of Mississippi,, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Mississippi Department of Employment Security's proprietary funds financial statements, and have issued our report thereon dated May 21, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 opinions on the proprietary funds financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mississippi Department of Employment Security's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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. 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 or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mississippi Department of Employment Security's proprietary funds financial statements are free from 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
May 21, 2024





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**PROGRAM SPECIFIC AUDIT OF UNEMPLOYMENT INSURANCE  
MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
SELECTED BY THE  
OFFICE OF THE STATE AUDITOR  
  
YEAR ENDED JUNE 30, 2023**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Dr. William Ashley, Executive Director  
Mississippi Department of Employment Security

We have audited, in accordance with the 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, the schedule of federal awards (the Schedule) for the U.S. Department of Labor Unemployment Insurance program of the Mississippi Department of Employment Security (MDES), a Department of the State of Mississippi as of and for the year ended June 30, 2023 and the related notes of the Schedule, which collectively comprise the Department's basic schedule, and have issued our report thereon dated June 18, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the MDES'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 the Schedule, but not for the purpose of expressing an opinion on the effectiveness of MDES's internal control. Accordingly, we do not express an opinion on the effectiveness of MDES'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 Schedule 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.

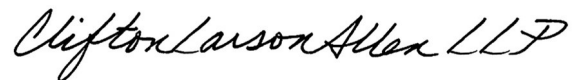
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MDES's Schedule is free from 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 Schedule. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
June 18, 2024



## INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Dr. William Ashley, Executive Director  
Mississippi Department of Employment Security  
Jackson, Mississippi

### Report on the Audit of the Schedule of Expenditures of Federal Awards

#### **Opinion**

We have audited the schedule of expenditures of federal awards (the Schedule) for the U.S. Department of Labor Unemployment Insurance program of the Mississippi Department of Employment Security (MDES), a Department of the State of Mississippi, for the year ended June 30, 2023, and the related notes to the schedule.

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards for the U.S. Department of Labor Unemployment Insurance program of the MDES for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit 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 responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the MDES and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Schedule**

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

***Auditors' Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

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 misstatement of the schedule, 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 the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MDES's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Dr. William Ashley, Executive Director  
Mississippi Department of Employment Security

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2024 on our consideration of the Schedule of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
June 18, 2024





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR A  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE WHEN USING THE PROGRAM SPECIFIC OPTION TO  
SATISFY THE UNIFORM GUIDANCE AUDIT REQUIREMENTS**

Executive Director  
Mississippi Department of Employment Security

**Report on Compliance for the U.S. Department of Labor Unemployment Insurance Program**  
***Opinion on Compliance for the U.S. Department of Labor Unemployment Insurance Program***

We have audited the Mississippi Department of Employment Security's (MDES), a Department of the State of Mississippi, 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 U.S. Department of Labor - Unemployment Insurance program for the year ended June 30, 2023.

In our opinion, MDES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Program Audited for the year ended June 30, 2023.

***Basis for Opinion on U.S. Department of Labor Unemployment Insurance Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MDES and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Program Audited. Our audit does not provide a legal determination of MDES's compliance with the compliance requirements referred to above.

***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 MDES's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

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 MDES'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 GAAS, *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 MDES's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 MDES'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 MDES'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 MDES'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.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be 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. 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 2023-001 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.

*Government Auditing Standards* requires the auditor to perform limited procedures to MDES's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. MDES's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
June 18, 2024

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Labor</b>			
Unemployment Insurance	17.225	\$ 49,563,369	\$ -
<b>Total Expenditures of Federal Awards Selected for Audit</b>		<b><u>\$ 49,563,369</u></b>	<b><u>\$ -</u></b>

*See accompanying Notes to the Schedule of Expenditures of Federal Awards.*

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards for the U.S. Department of Labor Unemployment Insurance (the Schedule) includes the federal grant activity for federal programs reported in the schedule. The program was selected for audit by the Office of the State Auditor and do not represent all of the federal expenditures of Mississippi Department of Employment Security (MDES). The Schedule is presented on an accrual basis of accounting in accordance with Generally Accepted Accounting Principles.

The information in this Schedule is also presented in accordance with the 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). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic Schedule.

Expenditures of selected federal award grant funds are made for the purposes specified by the grantor and are subject to certain restrictions. Expenditures are also subject to audit by the relevant federal agency. In the opinion of management, disallowed costs, if any, from such audits will not have a material effect on this Schedule or the financial position of MDES.

**NOTE 2 INDIRECT COSTS**

MDES has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 UNEMPLOYMENT INSURANCE PROGRAM – ASSISTANCE LISTING 17.225**

The Unemployment Insurance Program is administered through a unique federal-state partnership that was founded upon federal law, but implemented through state law. For the purposes of presenting the expenditures of this program in the accompanying Schedule of Expenditures of Federal Awards, both state and federal funds have been considered federal awards expended.

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section I – Summary of Auditors' Results***

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***Financial Statements***

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
  - Significant deficiency(ies) identified?   X   yes      \_\_\_\_\_ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   yes      \_\_\_\_\_ no

***Identification of Major Federal Programs***

**Assistance Listing Number(s)**  
17.225

**Name of Federal Program or Cluster**  
Unemployment Insurance

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Program***

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**Reference Number:** 2023-001

**Prior Year Finding:** No

**Federal Agency:** U.S. Department of Labor

**Department Name:** Mississippi Department of Employment Security

**Federal Program:** Unemployment Insurance

**Assistance Listing Number:** 17.225

**Award Number and Year:** 7/1/22 – 6/30/23

**Compliance Requirement:** Special Tests and Provisions – UI Benefit Payments

**Type of Finding:** Significant Deficiency in Internal Control over Compliance

**Criteria or specific requirement:**

*Compliance:* The State Workforce Agency (SWA) is required by 20 CFR section 602.11(d) to operate and maintain a quality control system. The Benefits Accuracy Measurement (BAM) program is DOL's quality control system designed to assess the accuracy of UI benefit payments and denied claims, unless the SWA is exempted from such requirement (20 CFR section 602.22). The program estimates error rates, that is, numbers of claims improperly paid or denied, and dollar amounts of benefits improperly paid or denied, by projecting the results from investigations of statistically sound random samples to the universe of all claims paid and denied in a state. Specifically, the SWA's BAM unit is required to draw a weekly sample of payments and denied claims, complete prompt, and in-depth investigations to determine if the administration of the UC program is consistent with state and federal law (20 CFR section 602.21(d)).

As presented in the ET Handbook No. 395, the investigation involves a review of state agency records, as well as contacting the claimant, employers, and third parties (either in-person, by telephone, or by fax) to conduct new and original fact-finding related to all of the information pertinent to the paid or denied claim that was sampled. BAM investigators review cases for adherence to federal and state law as well as official policy. The following time limits are established for completion of all cases for the year. (The "year" includes all batches of weeks ending in the calendar year.):

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section III – Findings and Questioned Costs – Major Federal Program (Continued)***

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- a minimum of 70 percent of cases must be completed within 60 days of the week ending date of the batch;
- 95 percent of cases must be completed within 90 days of the week ending date of the batch;
- a minimum of 98 percent of cases for the year must be completed within 120 days of the ending date of the calendar year.

**Control:** Per 2 CFR section 200.303(a), a 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 comply 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).

**Condition:**

The Mississippi Department of Employment Security (MDES) was unable to provide documentation that case reviews were reviewed and approved by investigator staff.

**Context:**

One of forty cases selected for testing did not have documentation of initial review and approval.

**Questioned costs:**

Undetermined.

**Cause:**

The Department’s internal controls were not sufficient to ensure that it maintained documentation of investigator review and approval for all BAM case reviews.

**Effect:**

Incomplete documentation of BAM case reviews could delay the detection and correction of inaccurate benefit payments and denied claims.

**Recommendation:**

We recommend the Department review and enhance procedures and controls to ensure that documentation of investigator review and approval of all BAM case reviews is maintained.

**Views of responsible officials:**

See Corrective Action Plan





**PROGRAM SPECIFIC AUDIT OF THE WORKFORCE INNOVATION  
AND OPPORTUNITY ACT  
MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)  
SELECTED BY THE  
OFFICE OF THE STATE AUDITOR  
YEAR ENDED JUNE 30, 2023**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Dr. William Ashley, Executive Director  
Mississippi Department of Employment Security

We have audited, in accordance with the 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, the schedule of federal awards (the Schedule) for the U.S. Department of Labor Workforce Innovation and Opportunity Act program of the Mississippi Department of Employment Security (MDES), a Department of the State of Mississippi as of and for the year ended June 30, 2023 and the related notes of the Schedule, which collectively comprise the Department's basic schedule, and have issued our report thereon dated June 18, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the MDES'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 the Schedule, but not for the purpose of expressing an opinion on the effectiveness of MDES's internal control. Accordingly, we do not express an opinion on the effectiveness of MDES'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 Schedule 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.

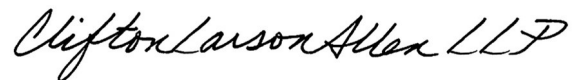
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MDES's Schedule is free from 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 Schedule. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
June 18, 2024



## INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Dr. William Ashley, Executive Director  
Mississippi Department of Employment Security  
Jackson, Mississippi

### Report on the Audit of the Schedule of Expenditures of Federal Awards

#### **Opinion**

We have audited the schedule of expenditures of federal awards (the Schedule) for the U.S. Department of Labor Workforce Innovation and Opportunity Act program of the Mississippi Department of Employment Security (MDES), a Department of the State of Mississippi, for the year ended June 30, 2023, and the related notes to the schedule.

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards for the U.S. Department of Labor Workforce Innovation and Opportunity Act program of the MDES for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit 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 responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the MDES and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Schedule**

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

***Auditors' Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

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 misstatement of the schedule, 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 the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MDES's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Executive Director  
Mississippi Department of Employment Security

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2024 on our consideration of the Schedule of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
June 18, 2024





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR A  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE WHEN USING THE PROGRAM SPECIFIC OPTION TO  
SATISFY THE UNIFORM GUIDANCE AUDIT REQUIREMENTS**

Executive Director  
Mississippi Department of Employment Security

**Report on Compliance for the U.S. Department of Labor Workforce Innovation and Opportunity Act Program**

***Opinion on Compliance for the U.S. Department of Labor Workforce Innovation and Opportunity Act Program***

We have audited the Mississippi Department of Employment Security's (MDES), a Department of the State of Mississippi, 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 U.S. Department of Labor Workforce Innovation and Opportunity Act program for the year ended June 30, 2023.

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, MDES complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on U.S. Department of Labor Workforce Innovation and Opportunity Act program for the year ended June 30, 2023.

***Basis for Qualified Opinion on U.S. Department of Labor Workforce Innovation and Opportunity Act Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MDES and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Program Audited. Our audit does not provide a legal determination of MDES's compliance with the compliance requirements referred to above.

***Matters Giving Rise to Qualified Opinion on U.S. Department of Labor Workforce Innovation and Opportunity Act Program***

As described in the accompanying schedule of findings and questioned costs, MDES did not comply with requirements regarding Assistance Listing Numbers 17.258, 17.259 and 17.278 Workforce Innovation and Opportunity Act program as described finding numbers 2023-001 for Reporting and 2023-002 for Subrecipient Monitoring.

Compliance with such requirements is necessary, in our opinion, for MDES to comply with the requirements applicable to that program.

***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 MDES's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

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 MDES'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 GAAS, *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 MDES's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 MDES'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 MDES'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 MDES'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.

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 2023-001 and 2023-002 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 2023-003 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.

*Government Auditing Standards* requires the auditor to perform limited procedures on MDES's response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. MDES's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
June 18, 2024

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Labor</b>			
Workforce Innovation and Opportunity Act Cluster	17.258, 17.259 and 17.278	\$ 39,193,794	\$ 35,443,021
<b>Total Expenditures of Federal Awards Selected for Audit</b>		<b><u>\$ 39,193,794</u></b>	<b><u>\$ 35,443,021</u></b>

*See accompanying Notes to Schedule of Expenditures of Federal Awards.*

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards for the U. U.S. Department of Labor Workforce Innovation and Opportunity Act program (the Schedule) includes the federal grant activity for federal programs reported in the schedule. The program was selected for audit by the Office of the State Auditor and do not represent all of the federal expenditures of Mississippi Department of Employment Security (MDES). The Schedule is presented on an accrual basis of accounting in accordance with Generally Accepted Accounting Principles.

The information in this Schedule is also presented in accordance with the 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). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic Schedule.

Expenditures of selected federal award grant funds are made for the purposes specified by the grantor and are subject to certain restrictions. Expenditures are also subject to audit by the relevant federal agency. In the opinion of management, disallowed costs, if any, from such audits will not have a material effect on this Schedule or the financial position of MDES.

**NOTE 2 INDIRECT COSTS**

MDES has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section I – Summary of Auditors' Results***

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***Financial Statements***

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified?   X   yes      \_\_\_\_\_ no
  - Significant deficiency(ies) identified?   X   yes      \_\_\_\_\_ none reported
2. Type of auditors' report issued on compliance for major federal programs: Qualified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   yes      \_\_\_\_\_ no

***Identification of Major Federal Programs***

**Assistance Listing Number(s)**  
17.258, 17.259, 17.278

**Name of Federal Program or Cluster**  
Workforce Innovation and Opportunity Act Cluster

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Program***

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<b>Reference Number:</b>	2023-001
<b>Prior Year Finding:</b>	No
<b>Federal Agency:</b>	U.S. Department of Labor
<b>Department:</b>	Mississippi Department of Employment Security
<b>Federal Program:</b>	WIOA Cluster
<b>Assistance Listing Number:</b>	17.258, 17.259, 17.278
<b>Award Number and Year:</b>	7/1/2022 – 6/30/2023
<b>Compliance Requirement:</b>	Reporting – Federal Funding Accountability and Transparency Act (FFATA)
<b>Type of Finding:</b>	Material Weakness in Internal Control Over Compliance, Material Noncompliance

**Criteria or specific requirement:**

**Compliance:** Per the Federal Funding Accountability and Transparency Act (FFATA), prime (direct) recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports must be filed in FSRS by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000. If the initial award is below \$30,000 but subsequent grant modifications result in a total award equal to or over \$30,000, the award will be subject to the reporting requirements as of the date the award exceeds \$30,000. If the initial award equals or exceeds \$30,000 but funding is subsequently de-obligated such that the total award amount falls below \$30,000, the award continues to be subject to FFATA reporting requirements.

**Control:** Per 2 CFR section 200.303(a), a 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 comply 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).

**Condition:**

The Mississippi Department of Employment Security (MDES) did not report subaward information to FSRS within thirty days after issuing the subaward or subaward amendment.

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section III – Findings and Questioned Costs – Major Federal Program (Continued)***

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**Context:**

Nine subawards were selected for testing which included five original subawards and four amendments. We noted the following exceptions:

- 1 of 9 subawards should have been reported by 11/30/2022 but was not reported before the end of FY 2023. The subaward was subsequently reported in February 2024.
- 3 of 9 subawards should have been reported by 5/31/2023 but were not reported before the end of FY 2023. The subawards were subsequently reported in February 2024.
- 4 of 9 subawards should have been reported no later than 2/28/2023 but they were reported on 3/29/2023, or 29 days late.

<b>Transactions Tested</b>	<b>Subaward not reported</b>	<b>Report not timely</b>	<b>Subaward amount incorrect</b>	<b>Subaward missing key elements</b>
9	4	4	0	0
<b>Dollar Amount of Tested Transactions</b>	<b>Subaward not reported</b>	<b>Report not timely</b>	<b>Subaward amount incorrect</b>	<b>Subaward missing key elements</b>
\$21,981,648	\$179,984	\$13,907,370	\$0	\$0

**Cause:**

MDES's procedures and controls were not sufficient to ensure that subawards were reported to FSRS no later than the end of the month following the month of issuance.

**Effect:**

Subawards were not reported to FSRS in accordance with FFATA requirements.

**Questioned costs:**

None noted.

**Recommendation:**

We recommend MDES establish procedures and internal controls to ensure that all required subawards are reported timely to FSRS no later than the end of the month following the month of issuance of each subaward.

**Views of Responsible Officials:**

See corrective action plan



**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section III – Findings and Questioned Costs – Major Federal Program (Continued)***

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**Reference Number:** 2023-002  
**Prior Year Finding:** Yes, 2022-023  
**Federal Agency:** U.S. Department of Labor  
**Department:** Mississippi Department of Employment Security  
**Federal Program:** WIOA Cluster

**Assistance Listing Number:** 17.258, 17.259, 17.278

**Award Number and Year:** 7/1/2022 – 6/30/2023

**Compliance Requirement:** Subrecipient Monitoring

**Type of Finding:** Material Weakness in Internal Control Over Compliance, Material Noncompliance

**Criteria or specific requirement:**

*Compliance* – Per 2 CFR section 200.332(a), all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes 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.

2 CFR section 200.332 also states that pass-through entities must:

- (d) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
  - 1) The subrecipient's prior experience with the same or similar subawards;
  - 2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F - Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
  - 3) Whether the subrecipient has new personnel or new or substantially changed systems;
  - 4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
- (e) 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. Pass-through entity monitoring of the subrecipient must include:
  - (1) Reviewing financial and performance reports required by the pass-through entity.
  - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
  - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management decision.

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

- (f) Verify that every subrecipient is audited as required by Subpart F - Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements.

*Control* – Per 2 CFR section 200.303(a), a 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).

**Condition:**

The Mississippi Department of Employment Security (MDES) was unable to provide documentation of subaward agreements and monitoring activities performed.

**Context:**

Six subrecipients were selected for testing and the following exceptions were noted:

- 1 of 6 subawards was not available for audit. Auditors were unable to verify if the subaward contained all required information nor if it was reviewed and approved by appropriate program staff prior to issuance.
- For 3 of 6 subrecipients, MDES was unable to provide documentation that it performed monitoring activities nor that it ensured the subrecipients were audited as required by Subpart F.

**Questioned costs:**

Undetermined.

**Cause:**

Internal controls were not sufficient to ensure that copies of subaward agreements were maintained and available for audit, nor that it maintained documentation of subrecipient monitoring activities performed.

**Effect:**

Auditors were unable to verify that subawards were issued in accordance with Federal requirements nor that the subrecipients had been adequately monitored and were audited as required by Subpart F.

**Recommendation:**

MDES should review and enhance internal controls and procedures to ensure that it maintains copies of all subaward agreements, that proper subrecipient monitoring is conducted, and that evaluation of independent audits is performed for all subrecipients. Copies of subawards and documentation of subrecipient monitoring activities should be readily available for audit.

**Views of responsible officials:**

See Corrective Action Plan

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section III – Findings and Questioned Costs – Major Federal Program (Continued)***

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**Reference Number:** 2023-003  
**Prior Year Finding:** No  
**Federal Agency:** U.S. Department of Labor  
**Department:** Mississippi Department of Employment Security  
**Federal Program:** WIOA Cluster  
**Assistance Listing Number:** 17.258, 17.259, 17.278  
**Award Number and Year:** 7/1/2022 – 6/30/2023  
**Compliance Requirement:** Eligibility

**Type of Finding:** Significant Deficiency in Internal Control Over Compliance

**Criteria or specific requirement:**

*Compliance* – Per 20 CFR parts 680, 681, 682, and 683, state workforce agencies must ensure that individuals are eligible to participate in the program.

*Control* – Per 2 CFR section 200.303(a), a 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).

**Condition:**

The Mississippi Department of Employment Security (MDES) was unable to provide documentation that the eligibility determination for a participant had been reviewed and approved.

**Context:**

Documentation for one of forty participants selected for testing did not contain a supervisor’s signature indicating that it had been reviewed and approved.

**Questioned costs:**

Undetermined.

**Cause:**

Internal controls were not sufficient to ensure that documentation supporting participant eligibility was reviewed and approved by a supervisor.

**Effect:**

Failure to ensure that all eligibility documentation is properly reviewed and approved could result in ineligible individuals participating in the program.

**MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section III – Findings and Questioned Costs – Major Federal Program (Continued)***

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**Recommendation:**

MDES should review and enhance internal controls and procedures to ensure that participant eligibility documentation is properly reviewed and approved by a supervisor.

**Views of responsible officials:**

See Corrective Action Plan





## Mississippi Department of Employment Security

**Tate Reeves**  
**Governor**

William J. Ashley, PhD.  
Executive Director

### SINGLE AUDIT FINDINGS

June 21, 2024

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

Dear Mr. White:

Enclosed for your review are the Mississippi Department of Employment Security's responses to the single audit findings for Fiscal Year 2023 as presented by.

#### **Single Audit for Fiscal Year 2023 - Auditor's Four (4) Findings**

Reference Number:	<b>2023-001</b>
Prior Year Finding:	No
Federal Agency:	U.S. Department of Labor
Department Name:	Mississippi Department of Employment Security
Federal Program:	Unemployment Insurance
Assistance Listing Number:	17.225
Award Number and Year:	7/1/22 – 6/30/23
<b>Compliance Requirement:</b>	<b>Special Tests and Provisions – UI Benefit Payments</b>
<b>Type of Finding:</b>	<b>Significant Deficiency in Internal Control over Compliance</b>

#### **Criteria or specific requirement:**

*Compliance:* The State Workforce Agency (SWA) is required by 20 CFR section 602.11(d) to operate and maintain a quality control system. The Benefits Accuracy Measurement (BAM) program is DOL's quality control system designed to assess the accuracy of UI benefit payments and denied claims, unless the SWA is exempted from such requirement

*Helping Mississippians Get Jobs*

*MDES Response*  
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(20 CFR section 602.22). The program estimates error rates, that is, numbers of claims improperly paid or denied, and dollar amounts of benefits improperly paid or denied, by projecting the results from investigations of statistically sound random samples to the universe of all claims paid and denied in a state. Specifically, the SWA's BAM unit is required to draw a weekly sample of payments and denied claims, complete prompt, and in-depth investigations to determine if the administration of the UC program is consistent with state and federal law (20 CFR section 602.21(d)).

As presented in the ET Handbook No. 395, the investigation involves a review of state agency records, as well as contacting the claimant, employers, and third parties (either in-person, by telephone, or by fax) to conduct new and original fact-finding related to all of the information pertinent to the paid or denied claim that was sampled. BAM investigators review cases for adherence to federal and state law as well as official policy. The following time limits are established for completion of all cases for the year. (The "year" includes all batches of weeks ending in the calendar year.):

- a minimum of 70 percent of cases must be completed within 60 days of the week ending date of the batch;
- 95 percent of cases must be completed within 90 days of the week ending date of the batch;
- a minimum of 98 percent of cases for the year must be completed within 120 days of the ending date of the calendar year.

*Control:* Per 2 CFR section 200.303(a), a 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 comply 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).

**Condition:**

The Mississippi Department of Employment Security (MDES) was unable to provide documentation that case reviews were reviewed and approved by investigator staff.

**Context:**

One of forty cases selected for testing did not have documentation of investigator review and approval.

**Questioned costs:**

Undetermined.

**Cause:**

The Department's internal controls were not sufficient to ensure that it maintained documentation of investigator review and approval for all BAM case reviews.

**Effect:**  
Incomplete documentation of BAM case reviews could delay the detection and correction of inaccurate benefit payments and denied claims.

**Recommendation:**  
We recommend the Department review and enhance procedures and controls to ensure that documentation of investigator review, and approval of all BAM case reviews is maintained.

**Views of responsible officials: MDES Response**  
MDES concurs with this finding.

**Corrective Action Plan:**

- a. **MDES Plan:** MDES will provide additional training to BAM investigative staff and supervisors to remind them of the importance of complying with federal regulations requiring all investigative staff to document their work on the final approved reviews of the BAM cases with a signature.
- b. **Contact Person Responsible:** Director Unemployment Insurance – Tax.
- c. **Anticipated Corrective Action Plan Completion Date:** July 31, 2024.

Reference Number:	<b>2023-001</b>
Prior Year Finding:	No
Federal Agency:	U.S. Department of Labor
Department Name:	Mississippi Department of Employment Security
Federal Program:	WIOA Cluster
Assistance Listing Number:	17.258, 17.259, 17.278
Award Number and Year:	7/1/22 – 6/30/23
<b>Compliance Requirement:</b>	<b>Reporting – Federal Funding Accountability and Transparency Act (FFATA)</b>
<b>Type of Finding:</b>	<b>Material Weakness in Internal Control Over Compliance, Material Noncompliance</b>

**Criteria or specific requirement:**  
*Compliance:* Per the Federal Funding Accountability and Transparency Act (FFATA), prime (direct) recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports must be filed in FSRS by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000. If the initial award is below \$30,000 but subsequent grant modifications result in a total award equal to or over \$30,000, the award will be subject to the reporting requirements as of the date the award exceeds \$30,000. If the initial award equals or exceeds \$30,000 but funding is subsequently de-obligated such that the total



*MDES Response*  
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award amount falls below \$30,000, the award continues to be subject to FFATA reporting requirements.

**Control:** Per 2 CFR section 200.303(a), a 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 comply 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).

**Condition:**

The Mississippi Department of Employment Security (MDES) did not report subaward information to FSRS within thirty days after issuing the subaward or subaward amendment.

**Context:**

Nine subawards were selected for testing which included five original subawards and four amendments. We noted the following exceptions:

- 1 of 9 subawards should have been reported by 11/30/2022 but was not reported before the end of FY 2023. The subaward was subsequently reported in February 2024.
- 3 of 9 subawards should have been reported by 5/31/2023 but were not reported before the end of FY 2023. The subawards were subsequently reported in February 2024.
- 4 of 9 subawards should have been reported no later than 2/28/2023 but they were reported on 3/29/2023, or 29 days late.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
9	4	4	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$21,981,648	\$179,984	\$13,907,370	\$0	\$0

**Cause:**

MDES’s procedures and controls were not sufficient to ensure that subawards were reported to FSRS no later than the end of the month following the month of issuance.

**Effect:**

Subawards were not reported to FSRS in accordance with FFATA requirements.

**Questioned costs:**

None noted.

**Recommendation:**

We recommend MDES establish procedures and internal controls to ensure that all required subawards are reported timely to FSRS no later than the end of the month following the month of issuance of each subaward.

**Views of responsible officials: MDES Response**

MDES concurs that the program year 2022 subawards were not entered into the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) within thirty days of subaward issuance. The practice of MDES has been to enter all subawards into the FSRS at one time and later perform a look back to determine the adjustments needed to bring the reported balances up or down based on subaward amendments made during the year. Specifically, for program year 2022 subawards, the initial entry into FSRS was on 3/29/2023 with the post award adjustment entry made February 23, 2024.

**Corrective Action Plan:**

- a. MDES Plan: MDES will strengthen controls around FSRS reporting to ensure subawards are reported to FSRS within thirty days of issuance. MDES will also monitor subaward amendments and ensure they are reported within thirty days of issuance. Entries into the FSRS will be reviewed by the supervisor to ensure compliance. This process is effective immediately.
- b. Contact Person Responsible: Comptroller.
- c. Anticipated Corrective Action Plan Completion Date: July 15, 2024.

Reference Number:	<b>2023-002</b>
Prior Year Finding:	Yes, 2022-023
Federal Agency:	U.S. Department of Labor
Department Name:	Mississippi Department of Employment Security
Federal Program:	WIOA Cluster
Assistance Listing Number:	17.258, 17.259, 17.278
Award Number and Year:	7/1/22 – 6/30/23
<b>Compliance Requirement:</b>	<b>Subrecipient Monitoring</b>
<b>Type of Finding:</b>	<b>Material Weakness in Internal Control over Compliance, Material Noncompliance</b>

**Criteria or specific requirement:**

*Compliance* – Per 2 CFR section 200.332(a), all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes 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.

2 CFR section 200.332 also states that pass-through entities must:

- (d) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
  - 1) The subrecipient's prior experience with the same or similar subawards;
  - 2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F - Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
  - 3) Whether the subrecipient has new personnel or new or substantially changed systems;
  - 4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
- (e) 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. Pass-through entity monitoring of the subrecipient must include:
  - (1) Reviewing financial and performance reports required by the pass-through entity.
  - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
  - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management decision.
- (f) Verify that every subrecipient is audited as required by Subpart F - Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements.

*Control* – Per 2 CFR section 200.303(a), a 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).

*MDES Response*  
*FY '23 Single Audit*  
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**Condition:**

The Mississippi Department of Employment Security (MDES) was unable to provide documentation of subaward agreements and monitoring activities performed.

**Context:**

Six subrecipients were selected for testing and the following exceptions were noted:

- 1 of 6 subawards was not available for audit. Auditors were unable to verify if the subaward contained all required information nor if it was reviewed and approved by appropriate program staff prior to issuance.
- For 3 of 6 subrecipients, MDES was unable to provide documentation that it performed monitoring activities nor that it ensured the subrecipients were audited as required by Subpart F.

**Questioned costs:**

Undetermined.

**Cause:**

Internal controls were not sufficient to ensure that copies of subaward agreements were maintained and available for audit, nor that it maintained documentation of subrecipient monitoring activities performed.

**Effect:**

Auditors were unable to verify that subawards were issued in accordance with Federal requirements nor that the subrecipients had been adequately monitored and were audited as required by Subpart F.

**Recommendation:**

MDES should review and enhance internal controls and procedures to ensure that it maintains copies of all subaward agreements, that proper subrecipient monitoring is conducted, and that evaluation of independent audits is performed for all subrecipients. Copies of subawards and documentation of subrecipient monitoring activities should be readily available for audit.

**Views of responsible officials: MDES Response**

MDES concurs with this finding.

**Corrective Action Plan:**

- a. MDES Plan: MDES will establish a checklist to verify receipt of the documents responsive to this compliance requirement. Using the checklist, MDES will ensure that all documents indicated in this finding will be readily available for the auditors as early as possible in the audit process. Additionally, MDES will develop a timeline and plan for the submission of documentation to ensure timely review.
- b. Contact Person Responsible: Director of Grant Management.
- c. Anticipated Corrective Action Plan Completion Date: July 31, 2024.

*MDES Response*  
*FY '23 Single Audit*  
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Reference Number:	<b>2023-003</b>
Prior Year Finding:	No
Federal Agency:	U.S. Department of Labor
State Agency:	Mississippi Department of Employment Security
Federal Program:	WIOA Cluster
Assistance Listing Number:	17.258, 17.259, 17.278
Award Number and Year:	7/1/22 – 6/30/23
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency in Internal Control over Compliance

**Criteria or specific requirement:**

Compliance – Per 20 CFR parts 680, 681, 682, and 683, state workforce agencies must ensure that individuals are eligible to participate in the program.

**Control – Per 2 CFR section 200.303(a)**, a 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).

**Condition:**

The Mississippi Department of Employment Security (MDES) was unable to provide documentation that the eligibility determination for a participant had been reviewed and approved.

**Context:**

Documentation for one of forty participants selected for testing did not contain a supervisor’s signature indicating that it had been reviewed and approved.

**Questioned costs:**

Undetermined.

**Cause:**

Internal controls were not sufficient to ensure that documentation supporting participant eligibility was reviewed and approved by a supervisor.

**Effect:**

Failure to ensure that all eligibility documentation is properly reviewed and approved could result in ineligible individuals participating in the program.

**Recommendation:**

MDES should review and enhance internal controls and procedures to ensure that participant eligibility documentation is properly reviewed and approved by a supervisor.

**Views of responsible officials: MDES Response**

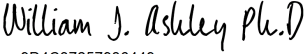
MDES concurs with this finding and recommendation. These incidents were isolated and non-reoccurring. MDES will implement procedures to require a review of all eligibility documents for completeness.

**Corrective Action Plan:**

- a. MDES Action Plan: MDES will require, as a compensating control for each file to contain a checklist of required documentation that will be reviewed and approved by the supervisor responsible for the respective job center. MDES will verify internal compliance with these procedures over the next quarter.
- b. Contact Person Responsible: Director of Grant Management.
- c. Anticipated Corrective Action Plan Completion Date: MDES will complete this corrective action on or before September 30, 2024.

MDES appreciates the importance of this audit in maintaining both the integrity of our systems and processes and validating the trust in our work by the citizens of this state. We appreciate the opportunity to respond to the findings to ensure the results of our work conform to the high standards set by federal regulation.

Sincerely,

DocuSigned by:  
  
9D4C37257936449...  
William J. Ashley, PhD.  
Executive Director