



STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
PEER REVIEW REPORT  
AUGUST 14, 2015

Mr. Stacey E. Pickering, State Auditor  
Office of the State Auditor  
501 North West Street  
Suite 801, Woolfolk Building  
Jackson, Mississippi, 39201

Dear Mr. Pickering:

We have reviewed the system of quality control of the State of Mississippi Office of the State Auditor in effect for the period June 1, 2014 through May 31, 2015. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The design of the system and compliance with it are the responsibility of the office. Our responsibility is to express an opinion on the design of the system and the office's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the office's system of quality control for engagements conducted in accordance with professional standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the office's engagements conducted in accordance with professional standards. We believe that the procedures we performed provide a reasonable basis for our opinion.

Our review was based on selective tests; therefore it would not necessarily disclose all design matters in the system of quality control or all compliance matters with the system. Also, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the State of Mississippi, Office of the State Auditor, in effect for the period June 1, 2014 through May 31, 2015, has been suitably designed and was complied with during the period to provide the audit organization with reasonable assurance of performing and reporting for financial audits and attestation engagements conducted in conformity with *Government Auditing Standards* and *AICPA Standards for Attestation*, respectively, in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. The State of Mississippi, Office of the State Auditor has received a peer review rating of *pass*.

Betty P Kirk, CPA, Team Leader  
National State Auditors Association  
External Peer Review Team

Deann Haeffner, CPA, Concurring Reviewer  
National State Auditors Association  
External Peer Review Team

*Government Auditing Standards* (the "Yellow Book") includes a fieldwork standard for financial statement audits which relates to auditor communication during planning. Auditors should communicate certain information in writing to management of the audited entity, those charged with governance, the individuals contracting for or requesting the audit services, and the audit committee regarding the nature of planned work and level of assurance to be provided related to internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements. Therefore, in accordance with the requirements of paragraph 4.03 of the Yellow Book, this information is being provided to you in this document entitled "Our Responsibilities as Your Entity's Auditor."

## **OUR RESPONSIBILITIES AS YOUR ENTITY'S AUDITOR**

### **INTERNAL CONTROL RESPONSIBILITIES**

#### **A. Responsibility under auditing standards generally accepted in the United States of America:**

Auditing standards generally accepted in the United States of America require us to obtain an understanding of the entity and its environment, including its internal control, sufficient to assess the risk of material misstatement of the financial statements and relevant assertion levels whether due to error or fraud and to determine the nature, timing and extent of further audit procedures. In obtaining an understanding of internal control, we perform procedures to understand the design of controls relevant to an audit of financial statements, and if they have been placed into operation. Obtaining an understanding of internal control also includes a consideration of internal control related to computer information systems that are used in significant accounting applications that process information used in preparing your entity's financial statements.

We are also required by auditing standards to conduct planning and brainstorming sessions with members of the audit team. The purpose of these meetings is to discuss possible areas where there is a risk that material misstatements might occur. As a part of this planning process, we are required to interview members of management, those charged with governance and other personnel about knowledge of fraud or errors which might have occurred or are possible given the structure of the agency.

After this understanding of the entity and its environment, including its internal control, is obtained; the planning and brainstorming sessions have been held; and, interviews have been conducted with appropriate personnel, we will determine inherent risk of the audited areas of the agency, and assess control risk for the relevant financial statement assertions. Control risk is the risk that a misstatement that could occur in a relevant assertion and that could be material, either individually or when aggregated with other misstatements, will not be prevented or detected on a timely basis by the auditee's internal control. The knowledge our understanding

provides of internal control and the assessed level of control risk enable us to determine the nature, timing and extent of further audit procedures.

The procedures we perform under auditing standards generally accepted in the United States of America do not provide sufficient evidence to enable us to express an opinion or any other assurance relative to internal control design or effectiveness. The purpose of our consideration of internal control is to plan the audit and to determine the nature, timing and extent of further audit procedures necessary to enable us to form an opinion on your entity's financial statements.

**B. Responsibility under *Government Auditing Standards*:**

*Government Auditing Standards* do not increase our responsibility for testing controls, but do require us to issue a written report on our consideration of internal control over financial reporting. Our report will disclose significant deficiencies in internal control, identifying those considered to be material weaknesses, if any, we identify as a result of the procedures we performed. The report will not provide any assurance on internal control design or operating effectiveness.

**C. Responsibility under the Single Audit Act Amendments of 1996 and OMB Circular A-133:**

When engaged to perform audits under the Single Audit Act, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require that we specifically consider internal control over compliance requirements for major federal programs and also require that we perform tests of those controls. We are required to issue a report, in addition to the report required by *Government Auditing Standards*, on our consideration of internal control over major federal programs, including tests of those controls. Our report must disclose significant deficiencies and material weaknesses, if any, in internal control over major federal programs we identify as a result of the procedures we performed. This report does not provide any assurance on the design or effectiveness of internal control used to administer major federal programs.

As a part of performing an audit under the Single Audit Act, we will also include the consideration of federal programs in the planning, brainstorming and interview process described in A. above.

**COMPLIANCE WITH LAWS AND REGULATIONS RESPONSIBILITIES**

**A. Responsibility under auditing standards generally accepted in the United States of America:**

Auditing standards generally accepted in the United States of America require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by errors or fraud. The primary factor that

distinguishes fraud from error is whether the underlying action that results in the misstatement in the financial statements is intentional or unintentional. Recognizing the possibility that a material misstatement due to fraud could be present is important for achieving this objective. However, absolute assurance is not attainable and thus even a properly planned and performed audit may not detect a material misstatement resulting from fraud.

Auditing standards generally accepted in the United States of America require us to plan and perform the audit to obtain reasonable assurance of detecting material misstatements resulting from direct and material illegal acts. Direct and material illegal acts are violations of laws and regulations having a direct and material effect on the determination of financial statement amounts. Auditing standards generally accepted in the United States of America also require us to be aware of the possibility that indirect illegal acts may have occurred. Indirect illegal acts are violations of laws and regulations having material but indirect effects on the financial statements. With respect to illegal acts that could have a material indirect effect on the financial statements, if information comes to our attention that provides evidence concerning the existence of possible illegal acts that could have a material indirect effect on the financial statements, we will apply procedures specifically directed to ascertaining whether an illegal act has occurred. We will consider the results of these procedures in forming our opinion on the financial statements.

**B. Responsibility under *Government Auditing Standards*:**

In addition to the responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* require us to design the audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts. If specific information comes to our attention providing evidence of possible noncompliance that could have a material indirect effect on the financial statements, we will apply audit procedures specifically directed to ascertaining whether that noncompliance has occurred.

*Government Auditing Standards* require us to issue a written report on compliance with laws and regulations and present any findings resulting from fraud, illegal acts and other material noncompliance.

**C. Responsibility under the Single Audit Act Amendments of 1996 and OMB Circular A-133:**

In addition to the requirements of auditing standards generally accepted in the United States of America and *Government Auditing Standards*, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require that we (1) perform procedures to provide sufficient evidence to express an opinion as to whether your entity complied with laws, regulations, and the provisions of contracts and grant agreements which could have a direct and material effect on each major

federal program and (2) issue the required report thereon and a schedule of findings and questioned costs.