



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

February 9, 2023

Financial Audit Management Report

Robert Anderson, Executive Director
Mississippi Department of Human Services
200 South Lamar St.
Jackson, MS 39201

Dear Mr. Anderson:

Enclosed for your review is the financial audit finding for the Mississippi Department of Human Services for the Fiscal Year 2022. In this finding, the Auditor's Office recommends the Mississippi Department of Human Services:

1. Strengthen Controls to Ensure Proper Review Processes for Financial Reporting.

Please review the recommendation and submit a plan to implement it by February 24, 2023. The enclosed finding contains more information about our recommendation.

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Mississippi Department of Human Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississippi Department of Human Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendation enables the Mississippi Department of Human Services to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Human Services throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

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

Angela Mire, CPA, CFE
Director, Agency Division
Enclosures

FINANCIAL AUDIT MANAGEMENT REPORT

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Human Services for the year ended June 30, 2022. These financial statements will be consolidated into the State of Mississippi's *Annual Comprehensive Financial Report*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. In accordance with *Section 7-7-211, Miss. Code Ann. (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Internal Control over Financial Reporting

In planning and performing our audit of selected accounts included on the financial statements of the Department of Human Services as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Mississippi Department of Human Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on these accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Mississippi Department of Human Services' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency identified in the letter as item **2022-007** to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Human Services are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Finding and Recommendation
SIGNIFICANT DEFICIENCY

2022-007	<u>Strengthen Controls to Ensure Proper Review Processes for Financial Reporting.</u>
Repeat Finding	Yes, 2021-001.
Criteria	<p>The <i>Internal Control – Integrated Framework</i> published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the <i>U.S. Government Accountability Office Standards for Internal Control in the Federal Government</i> (Green Book) specifies that a satisfactory control environment is only effective when control activities exist. This includes but is not limited to the review process of transactions, proper support of transactions, proper documentation and support of methodologies used in accounting practices, proper support of information and communication within the agency, and a commitment to competence by management.</p> <p><i>The Mississippi Agency Accounting Policies and Procedures</i> (MAAPP) manual Section 27.30.05 states that supporting schedules provide the details which support the adjusted MAGIC balances on the GAAP Trial Balance.</p>
Condition	<p>While performing testwork related to the Mississippi Department of Human Services' (MDHS) Schedule of Federal Grant Activity, the auditor noted the following regarding the Federal Subgrant Activity Schedule:</p> <ul style="list-style-type: none">• Two instances in which amounts recorded as “Passed to Subrecipients” were coded to the incorrect ALN number on the Schedule of Federal Grant Activity.• 12 instances in which the amounts recorded as “Current Year Agency Expenditures - Amounts Paid to Subgrantees” per the Subgrant Activity Schedule (form 27.30.70) did not agree to amounts reported on the KOB1 report (Internal Order Report) within the Mississippi Accountability System for Government information and Collaboration (MAGIC).
Cause	MDHS did not enforce proper control structures over financial reporting, which attributed to the multiple errors detected on the Federal Subgrant Activity Schedule.
Effect	Without proper enforcement of internal controls over financial reporting, erroneous financial statements and corresponding schedules could be compiled, resulting in a misrepresentation of the financial standing of the Mississippi Department of Human Services.
Recommendation	We recommend management at the Department of Human Services evaluate internal control procedures over the review and approval of the Federal Sub-Grant Activity Schedule. Additionally, we recommend existing staff obtain the needed training to be able to accurately report and review financial information entered into the Federal Sub-Grant Activity Schedule.

End of Report