

Amendment # 1

August 23, 2016

Responses to Questions

Request for Proposals for Professional Auditing Services

Mississippi Department of Education

Question: Section K indicates the funds available for the project will be provided to each responding firm. Can you please provide this information?

Response: MDE has not set aside funds to pay for the audit. MDE will evaluate each firm's proposal and determine the best proposal based upon the qualifications and price as described in Section R. After selecting the firm and agreeing to contract terms, MDE will pay the negotiated amount. However, as stated in the Standard Agreement, Attachment G, paragraph 26, page 39, the parties expressly understand that the fulfillment of the payment obligations of MDE under this agreement is conditioned upon the availability and receipt of State funds.

Question: Have the GAAP reporting packages been separately audited in the past by either MDE, SAO, or an external firm? If so, are you able to provide copies of the reports and management letters issued in the previously?

Response: The GAAP reporting packages have been separately audited by the Office of State Auditor. Copies of the GAAP packages and the prior year's management letters are attached.

Question: Are you able to provide a current status update for any material weaknesses, significant deficiencies, or management letter comments reported in the prior year?

Response: MDE responses to the management letter comments are attached. MDE has not completed a status update as of the date of this response.

Question: Scope of Work and Responsibilities refers to auditing the Schedule of Expenditures of Federal Awards for the selected programs to be audited. Item G. Firm Requirements generically discusses auditing the SEFA related to the GAAP reporting packages for the funds. Please confirm the opinion on the SEFA only relates the program specific audits identified in Attachment F to the RFP.

Response: MDE confirms that the opinion on the SEFA only relates to the program specific audits identified in Attachment F to the RFP.

Question: What are the activities of the two funds selected for audit?

Response: Fund #4423000000 is the fund where Mississippi Adequate Education Program (MAEP) Education Enhancement Funds (EEF) are accounted for and Fund #5320100000 is the fund where Federal Grant funds are accounted for.

As stated in the Format and Procedure for Delivery of Proposal, Section L, page 11 of the RFP, these responses to questions are considered an amendment to the RFP. The Acknowledgment of RFP Amendments Form, Attachment D, page 22 must be completed notating Amendment 1, dated August 23, 2016 and attached to the proposal.

System Date: 11/23/2015
 Period: To:
 Fund: 442300000 Year: 2015
 Agency: 1201 Department of Education

State of Mississippi
 Detail Account Listing by Debit and Credit

Page: 1 of 1
 Report: ZQPTB13
 Lib: APC RDRP ZBL3

*** Equity in Internal Investment Foo	231,237.00			231,237.00
**** Assets-Current Assets	231,237.00			231,237.00
*** Accounts Payable			142,550.00-	142,550.00-
** Due to Other Governments - Curren			17,492,349.00-	17,492,349.00-
*** Due to Other Governments			17,492,349.00-	17,492,349.00-
*** Liabilities			17,634,899.00-	17,634,899.00-
**** Restricted - Education	17,398,022.00			17,398,022.00
**** Fund Balance Restricted	17,398,022.00			17,398,022.00
**** Fund Balance	17,398,022.00			17,398,022.00
**** Liabilities and Fund Balances	17,398,022.00		17,634,899.00-	17,398,022.00
*** Subsidies	193,409,921.00	17,634,899.00		211,044,820.00
**** Expenditures by Function	193,409,921.00	17,634,899.00		211,044,820.00
**** Transfers In	211,039,180.00-			211,039,180.00-
**** Other Financing Sources (Uses)	211,039,180.00-			211,039,180.00-
**** Stat of Revenue, Expend, Changes I	17,634,899.00-	17,634,899.00		5,640.00
**** Balance Sheet Governmental Funds	17,634,899.00-	17,634,899.00	17,634,899.00-	
***** Accounts		17,634,899.00	17,634,899.00-	

JAH
 11/23/15

44230 00000

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 12-1-15

System Date: 12/16/2015
 Period: 0 To: 14
 Fund: 5320100000 Year: 2015
 Agency: 1201 Department of Education

State of Mississippi
 Detail Account Listing by Debit and Credit

Page: 1 of 1
 Report: ZGPTP13
 Lib: 4FC RGrp: ZBL3

***	Equity in Internal Investment Poo	2,680,121.84-			2,600,121.84-
***	Cash and Cash Equivalent	200.00			200.00
**	Due from Other Governments, net-C		4,907,868.00		4,907,868.00
***	Due from other Governments Net		4,907,868.00		4,907,868.00
****	Assets-Current Assets	2,679,921.84+	4,907,868.00		2,227,946.16
**	2010 CL Warrants Payable	990,500.45			990,500.45
**	Accounts Payable	978,713.32			978,713.32
**	Due to Other Governments - Curren	387,373.55-			387,373.55-
**	Due to other Governments	387,373.55-			387,373.55-
**	Due to Other Funds	25,982.25+			25,982.25+
**	Due to Component Units	67,824.96-			67,824.96-
**	Funds Held for Others	240,070.27-			240,070.27-
***	Liabilities	733,038.16-			733,038.16-
**	Restricted - Education	1,291,780.32-			1,291,780.32-
**	Fund Balance Restricted	1,291,780.32-			1,291,780.32-
***	Fund Balances	1,291,780.32-			1,291,780.32-
****	Liabilities and Fund Balances	2,024,818.48-			2,024,818.48-
**	Federal Government	615,255,632.02-	25,880,634.00-		641,136,266.32-
**	Interest and Dividends	110.96-			110.96-
**	Investment Income	110.96-			110.96-
**	Other Revenue	1,047,361.99-			1,047,361.99-
***	Revenues	616,303,105.87-	25,880,634.00-		642,183,739.87-
**	Salaries	7,257,291.04			7,257,291.04
**	Travel	634,182.92			634,182.92
**	Contractual Services	9,842,797.88			9,842,797.88
**	Commodities	1,042,380.85	20,972,766.00		22,015,146.85
**	Capital Outlay	33,099.20			33,099.20
**	Capital Outlay	33,099.20			33,099.20
**	Subsidies	601,151,743.32			601,151,743.32
***	Expenditures by Function	619,961,485.21	20,972,766.00		640,934,251.21
**	Transfers In	1,325,851.65-			1,325,851.65-
**	Transfers Out	2,372,202.65			2,372,202.65
**	Other Financing Sources (Uses)	1,046,351.00			1,046,351.00
***	Stnt of Revenues, Expend, Changes i	4,704,740.34	20,972,766.00	25,880,634.00-	203,127.65-
***	Net Zero - Clearing Accounts	0.02-			0.02-
***	Net Zero - Low Dollar Assets				
****	Net Zero Accounts for Governmenta	0.02-			0.02-
*****	Balance Sheet Governmental Funds		25,880,634.00	25,880,634.00-	
*****	Accounts		25,880,634.00	25,880,634.00-	

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12/16/15

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12-17-15

10.58	FRESH FRUIT & VEG	1905-2020E-2		1905190 - 05/2001	5,217,817	11.00	1,072,601	0	1,072,601	0		0	175
10.59	FRESH FRUIT & VEG	1905-2020E-4	233	1905192 - 09/2016	2,114,939	1.00	2,114,932	0	2,114,932	0	1	0	470
10.60	FRESH FRUIT & VEG	1905-2020E-5	223	1905193 - 09/2016	1,782,126	0.00	1,782,126	493,941	1,782,126	331,507		221,122	112,020
10.61	FRESH FRUIT & VEG	1905-2020E-5	2700	1905194 - 09/2016	2,244,227	0.00	1,927,804	1,055,820	1,927,804	1,277,884		222,861	121,034

10.60	SECTION 201 ADMIN GRANT	CH-61C 201 ADMIN	2792	1601111 - 10/2016	1,348,433	4.076-04	778,825	192,374	107,337	270,470		270,470	(117,814)
10.60	SECTION 201 ADMIN GRANT	CH-61C 201 ADMIN	2644	1601111 - 10/2016	1,332,843	0.01	100,224		95,488	95,488		95,488	95,488

04.00	TROOPS IN TEACHERS - DDP	USDC TTYS		050195 - 05/2000	1,533,617	135.37	1,533,613	0	1,533,614	0		0	1850
04.00	TROOPS IN TEACHERS - DDP	USDC TTYS	2620	050195 - 02/2014	1,918,120	116.911-02	1,918,685	0	1,869,276	58,225	118,813	156,110	35,225

UNDE													
04.0104	TITLE I - LEA 0104 0205 0506 0508	1501100004		050506 - 12/2016	42,733,070	117.000-01	122,100,715	0	122,100,715	0		0	110,564
04.0104	TITLE I - LEA 0104 0205 0506 0508	1501100004		050506 - 12/2016	21,302,660	192,248-02	21,403,307	0	21,302,660	0		0	119,241
04.0104	TITLE I - LEA 0104 0205 0506 0508	1501100004		050506 - 12/2016	19,430,410	187,991-03	100,897,412	0	100,897,412	0		0	100,897,412
04.0104	TITLE I - LEA 0104 0205 0506 0508	1501100004		050506 - 12/2016	19,555,588	192,181-04	100,120,297	0	100,120,297	0		0	100,120,297
04.0104	TITLE I - LEA 0104 0205 0506 0508	1501100004	2010	050506 - 12/2016	166,722,425	3,225,472-02	188,746,443	21,294,174	18,887,127	21,294,174	1,221,712		20,331,023
04.0104	TITLE I - LEA 0104 0205 0506 0508	1501100004	2031	050506 - 12/2016	176,722,425	18,555,026-02	155,127,177	60,249,221	51,827,024	18,954,896	550	45,763,138	1,671,303
04.0104	TITLE I - LEA 0104 0205 0506 0508	1501100004	2700	050506 - 12/2016	186,096,470	0.00	167,044,271	90,254,203	90,254,203	92,250,233	3,225	65,261,813	209,550
04.0104	TITLE I - LEA 0104 0205 0506 0508	1501100004	2745	050506 - 12/2016	0	0.00	0	0	0	0	0	0	0

04.0104	TITLE I - NEG & DEL	0502 0502	2012	050102 - 12/2016	817,666	15.00	817,606	205,233	81,266	293,047	0	293,047	18,737
04.0104	TITLE I - NEG & DEL	0502 0502	2033	050102 - 12/2016	750,217	0.00	627,217	53,964	677,602	102,252	10	132,106	51,741
04.0104	TITLE I - NEG & DEL	0502 0502	2074	050102 - 12/2016	314,260	0.00	0	0	0	0		0	0

04.0202	DEA BNSI BNSI	1402100010		070113 - 12/2016	97,117,913	11,120-00	0	0	0	0		0	11,120
04.0202	DEA BNSI BNSI	1402100010		070113 - 12/2016	118,404,727	120,164-00	0	0	0	0		0	120,164
04.0202	DEA BNSI BNSI	1402100010		070113 - 12/2016	138,531,206	820,298-00	0	0	0	0		0	820,298
04.0202	DEA BNSI BNSI	1402100010	2000	070113 - 12/2016	120,003,191	120,007-00	118,247,175	2,214,620	118,247,175	2,154,125	(206,067)	2,250,181	100,000
04.0202	DEA BNSI BNSI	1402100010	2020	070113 - 12/2016	113,830,486	0.00	113,250,180	42,052,218	113,250,180	43,500,254	6,217,225	112,020	33,814,007
04.0202	DEA BNSI BNSI	1402100010	2778	070113 - 12/2016	136,146,426	0.00	136,146,426	53,879,516	136,146,426	136,146,426	(1,120)	100,314	12,443,424

04.0444	TAL ENT SEARCH PROGRAM BNSI BNSI	05044410002	2543	050111 - 08/2014	1,518,720	5,645-00	1,132,254	278,126	1,132,254	376,126	52,645	201,533	
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04.144F	MIGRANT MEP CONSORTIUM FCEN	05144F10024	2012	050111 - 12/2016	0	0.00	0	38,434	0	38,434		38,434	
04.144F	MIGRANT CONSORTIUM FCEN	05144F10024	2084	050111 - 12/2016	0	0.00	0	0	0	0		0	

04.173A	DEA - PREZCH 0141	070113 102113	746	070113 - 12/2016	4,152,913	70.00	0	0	0	0		0	780
04.173A	DEA - PREZCH 0142	070113 102113	746	070113 - 12/2016	4,145,272	76,817-02	4,145,272	196,645	4,145,272	2,847	70,617	100,000	(100,000)
04.173A	DEA - PREZCH 0143	070113 102113	745	070113 - 12/2016	3,849,497	3,849,497	3,849,497	1,651,618	3,760,740	1,651,618	389,623	1,266,221	8,000
04.173A	DEA - PREZCH 0144	070113 102113	2779	070113 - 12/2016	3,849,497	0.00	2,118,723	2,118,723	2,118,723	2,118,723		2,118,723	194
04.173A	DEA - PREZCH 0145	070113 102113		070113 - 12/2016	0.00	0.00	0	0	0	0		0	



RECEIVED

MAR 29 2016

**MS DEPT. OF EDUCATION
EDUCATIONAL ACCOUNTABILITY**

**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR**

March 14, 2016

Single Audit Management Report

Carey M. Wright, Ed.D.
State Superintendent of Education
Mississippi Department of Education
P.O. Box 771
Jackson, MS 39205

Dear Dr. Wright:

Enclosed for your review are the single audit findings and other audit findings for the Mississippi Department of Education for Fiscal Year 2015. In these findings, the Auditor's Office recommends the Mississippi Department of Education:

Single Audit Findings:

1. Strengthen controls over compliance with federal reporting requirements of the Child and Adult Care Food Program and the Child Nutrition Programs; and
2. Strengthen controls over compliance with allowable costs requirements of the Child and Adult Care Food Program and the Child Nutrition Programs.

Other Audit Findings:

3. Strengthen controls over subrecipient project budgets in agency records; and

Please review the recommendations and submit a plan to implement them by March 28, 2016. The enclosed findings contain more information about our recommendations.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Department of Education to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and

Mississippi Department of Education
March 14, 2016
Page 2

employees of the Mississippi Department of Education throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Sallie Dier". The signature is written in a cursive, flowing style.

Sallie Dier, CPA
Director, Financial and Compliance Audit Division

Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi Department of Education for the year ended June 30, 2015. The Office of the State Auditor's staff members participating in this engagement included Amy Buller, CPA, Yolanda Campbell, CPA, Karlanne Coates, CPA, Sallie Dier, CPA, Stephanie Palmertree, CPA, Thomas Wirt, CPA, Lee Alford, Kortney Gaddy, Erin Hathorn, David Hodges, Rick Kinnard, Katherine Landrum, CPA, Elaina Jo Smith, and Jeanne Tate.

Our procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. In accordance with Section 7-7-211, 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.

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Department of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi Department of Education for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mississippi Department of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. However, our audit does not provide a legal determination of the Mississippi Department of Education's compliance.

Results of Compliance Audit Procedures

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are identified in this letter as items 2015-022 and 2015-023. In addition, we noted other instances of noncompliance that we have reported on the attached document, "Other Audit Findings."

Internal Control over Compliance

Management of the Mississippi Department of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mississippi Department of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not

express an opinion on the effectiveness of Mississippi Department of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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, we identified certain deficiencies in internal control over compliance identified in this letter as items 2015-022 and 2015-023 to be significant deficiencies.

In addition, we noted other deficiencies in internal control over compliance that require the attention of management that we have reported on the attached document "Other Audit Findings."

**CFDA/Finding
 Number**

Findings and Recommendations

REPORTING

***Immaterial Noncompliance
 Significant Deficiency***

10.553	National School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program

Federal Award Number and Year

2014CN202045	2014	2015CN202045	2015
2014IN202045	2014	2015IN202045	2015
2014CN109945	2014	2015CN109945	2015
2014IN109945	2014	2015IN109945	2015

Questioned Costs: None

2015-022

Controls Should Be Strengthened over Federal Reporting for the Child and Adult Care Food Program and the Child Nutrition Programs

Finding:

The *Code of Federal Regulations* (7 CFR Section 220.13(b)) sets forth the reporting requirements of Food and Nutrition Services (FNS) reports and states each State agency shall maintain program records as necessary to support the reimbursement payments made to School Food Authorities under § 220.9 and the reports submitted to FNS under §220.13(b)(2). In addition, good internal controls require an independent review of reports to ensure completeness and accuracy of reported data.

As part of our review of internal controls over federal reporting at the Mississippi Department of Education's Office of Child Nutrition, we determined that supporting documentation was not maintained for the FNS-777 financial status reports. As a result, we were unable to perform testwork to ensure completeness and accuracy of the report. We also noted one out of the two quarterly reports selected for testwork was not independently reviewed.

Failure to maintain supporting documentation for submitted FNS-777 reports could allow for noncompliance with federal regulations. This could potentially result in reports that do not accurately reflect the accounting records which are used to monitor the program costs and cash draws. Additionally, failure to perform independent reviews of reports could allow for errors and inaccurate data to be reported without being promptly detected.

Recommendation:

We recommend the Mississippi Department of Education maintain supporting documentation for the FNS-777 financial status reports in order to support the accuracy and completeness of the reports. We also recommend the agency strengthen controls related to the review of the reports. An independent review should be adequately performed with the initials and date of the review.

**ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COST/COSTS PRINCIPLES**

*Immaterial Noncompliance
Control Deficiency*

10.553	National School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program

Federal Award Number and Year

2014CN202045	2014	2015CN202045	2015
2014IN202045	2014	2015IN202045	2015
2014CN109945	2014	2015CN109945	2015
2014IN109945	2014	2015IN109945	2015

Questioned Costs: \$766,007

2015-023

Controls Should Be Strengthened over Allowable Costs for the Child and Adult Care Food Program and the Child Nutrition Programs.

Finding:

The Office of Management and Budget (OMB) *Circular A-133* and OMB *Circular A-87, Attachment A*, states that a cost is allowable for federal reimbursement only to the extent of benefits received by the federal program. The *Code of Federal Regulations* (CFR) for the National School Lunch Program, 7 CFR Part 210.9(a), requires School Food Authorities (SFA's) wishing to participate in the program to submit a written application to the State agency for any school in which it desires to operate the program. Applications shall provide the State agency with sufficient information to determine eligibility. In addition, Section 210.7(a) states that reimbursement payments to finance nonprofit school food service operations shall be made only to school food authorities operating under a written agreement with the State agency. Federal regulations for the National School Breakfast Program, 7 CFR Part 220.7 (e) state that each school food authority approved to participate in the program shall enter into a written agreement with the State agency that may be amended as necessary. Part 245.6 (c) (1) states eligibility for free or reduced price meals, as determined through an approved application or by direct certification must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. Lastly, the Policies and Procedures Manual for Child Nutrition Section 3 page 2 states, "The annual Application, Agreement and Free/Reduced Meal Policy related to receipt of Federal Funds for the National School Lunch Program, School Breakfast Program and Food Distribution Program shall have final approval by the Mississippi Department of Education (MDE) prior to the service of any meals under the (Child Nutrition) program."

The *Code of Federal Regulations* for the Child and Adult Care Food Program, 7 CFR Part 226.11 (a), requires that payments be made only to institutions operating under an agreement with the State agency for the meal types specified in the agreement served at approved child care centers, at-risk afterschool care centers, adult day care centers, emergency shelters, and outside-school-hours care centers. The Policies and Procedures Manual for Child Nutrition Section 9, page 3 states the agency administers CACFP and approves sponsoring organizations and independent centers to operate the program on the local level.

During testwork performed at the Mississippi Department of Education for the Child and Adult Care Food Program (CACFP) and Child Nutrition (CN)

Program for the fiscal year 2015, we examined 8,071 transactions to verify the eligibility of the provider to receive payment and noted the following exceptions.

- Sixteen instances in which expenditures for the CN Program were charged to the CACF Program in error. This resulted in known questioned costs of \$738,011. It was not considered necessary to project questioned costs for these instances.
- Nine instances in which expenditures for the CACF Program were charged to the CN Program in error. This resulted in known questioned costs of \$27,775. It was not considered necessary to project questioned costs for these instances.

Failure of agency personnel to properly assign and review proper expenditure classifications could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in improper payments to providers, questioned costs and the possible recoupment of funds by the federal granting agency.

Recommendation:

We recommend the Mississippi Department of Education ensure compliance with the allowable costs requirements of the Child and Adult Care Food Program and Child Nutrition Programs by strengthening control procedures to ensure expenditures are assigned to the correct federal programs.

OTHER AUDIT FINDINGS

In planning and performing our audit of the federal awards received by the Mississippi Department of Education for the year ended June 30, 2015, we considered internal control over compliance with the requirements that could have a direct and material effect on the major federal programs. Matters which require the attention of management were noted. These matters which do not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involve other control 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.

**CFDA/Finding
 Number**

Findings and Recommendations

**ACTIVITIES ALLOWED/UNALLOWED
 ALLOWABLE COST/COSTS PRINCIPLES**

Control Deficiency

84.027/84.173
 84.367

Special Education Cluster
 Title II Improving Teacher Quality

Federal Award Number and Year

H027A130146 2013
 H173A130113 2014
 S367A140023 2014

Questioned Costs: None

Oth-07

Controls Should Be Strengthened over Subrecipient Project Budgets in Agency Records

Finding:

The Mississippi Department of Education developed the Project Balance Spreadsheet (PBS) as a method of controlling school district grant budgets after the implementation of the Mississippi Accountability System for Government Information and Collaboration (MAGIC), the new statewide accounting system. The PBS is a spreadsheet that is used to record school district grant budgets, expenditure transactions and available balances.

During our review of Title II expenditures, we noted one instance out of 40 transactions that was not included on the PBS which resulted in the subrecipient's remaining project budget being overstated by \$20,386. In addition, during our review of IDEA Part B and Preschools expenditures, we noted two out of 40 transactions were recorded to the wrong grant years on the PBS which resulted in budgets being incorrect by \$197,678. It should be noted that these

errors were only noted in the agency's records, and the school districts were not paid in excess of the approved budget allocations.

Good internal controls require the agency to properly maintain school district budgets in agency records to ensure districts are not over paid. The failure to maintain proper budgets could result in a school district spending in excess of the approved subrecipient project budget.

Recommendation:

We recommend the Mississippi Department of Education strengthen controls over subrecipient project budgets by ensuring expenditures are recorded accurately in the project balance spreadsheet.

End of Report



RECEIVED

MAR 29 2016

MS DEPT. OF EDUCATION
EDUCATIONAL ACCOUNTABILITY

STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

March 14, 2016

Financial Audit Management Report

Carey M. Wright, Ed. D.
State Superintendent of Education
Mississippi Department of Education
P. O. Box 771
Jackson, MS 39205

Dear Dr. Wright:

Enclosed for your review is the financial audit finding for the Mississippi Department of Education for the Fiscal Year 2015. In this finding, the Auditor's Office recommends the Mississippi Department of Education:

1. Complete and Review GAAP packets in a timely manner.

Please review this recommendation and submit a plan to implement it by March 28, 2016. 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 Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississippi Department of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

Sallie Dier, CPA
Director, Financial and Compliance Audit 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 Education for the year ended June 30, 2015. These financial statements will be consolidated into the State of Mississippi's *Comprehensive Annual 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. The Office of the State Auditor's staff members participating in this engagement included Amy Buller, CPA, Yolanda Campbell, CPA, Karlanne Coates, CPA, Stephanie Palmertree, CPA, Lee Alford, Kortney Gaddy, David Hodges, Kelly Holtsinger, Rick Kinnard, Katherine Landrum, CPA, Elaina Jo Smith, and Jeanne Tate.

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

Internal Control over Financial Reporting

In planning and performing our audit of selected accounts included on the financial statements, we considered the Mississippi Department of Education's 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 Education's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 described in the following paragraphs, we identified certain deficiencies in internal controls that we consider to be material weakness.

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 consider the deficiency identified in this letter as item 2015-021 to be a material weaknesses.

Compliance and Other Matters

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

MATERIAL WEAKNESS

Finding Number

Finding and Recommendation

2015-021

GAAP Packet Review Should be Comprehensive and GAAP Packets Should be Completed in a Timely Manner

Finding:

Due to the implementation of a new statewide accounting system - Mississippi Accountability System for Government Information and Collaboration, or MAGIC, policies and procedures for the preparation and submission of agency fund level GAAP packets were revised in order to complement the new statewide accounting system. Agency accounting personnel were tasked with completing close out GAAP packets using new reports, policies and procedures. In order to mitigate problems faced statewide, extended deadlines and procedures were temporarily utilized during fiscal year 2015 in order to assist agencies with completing GAAP packets.

During our review of the financial reporting process at the Mississippi Department of Education, we noted agency personnel did not prepare their GAAP packet for treasury fund 5320100000, which includes a schedule of expenditures of federal awards (SEFA), in a timely manner. The deadline for turning in GAAP packets established by the Department of Finance and Administration – Office of Financial Reporting (DFA-OFR) was November 3, 2015. However, the final version of the GAAP packet was not submitted until December 16, 2015.

Section 27-104-4, Miss. Code Ann. (1972) requires each state agency to prepare annual financial statements at such times as determined by the State Fiscal Officer. The State Fiscal Officer is required to combine the financial statements into a comprehensive annual financial report (CAFR) and provide it to the State Auditor for postauditing. The law further requires the CAFR be published within six months after the June 30 close of the fiscal year. In addition, the Government Finance Officers Association (GFOA) requires CAFRs to be submitted within six months of the government's fiscal year end. It should be noted that DFA-OFR obtained an extension for the CAFR from GFOA this year due to the implementation of MAGIC.

The failure of agency personnel to prepare their GAAP packet for treasury fund 5320100000 in a timely manner contributed to the CAFR not being published in accordance with state law and hindered the efficiency of the audit of the State of Mississippi's financial statements. This issue was prevalent in many agencies statewide due to the implementation of MAGIC and the new procedures required in the GAAP packet process. In addition, these delays could result in the state not being awarded a Certificate of Achievement for Excellence in Financial Reporting by GFOA. Receiving GFOA's certificate increases the likelihood the credit agencies or other stakeholders may consider the state's financial statements in a positive manner. The timeliness of the CAFR being published impacts its relevance to the various users of the CAFR.

In addition, the Single Audit Act requires the State issue the Single Audit Report within nine months of the fiscal year end, and no extensions are granted. The independent auditor's report on internal control over financial reporting and the SEFA are both required to be included in the Single Audit Report and both are an integral part of the financial audit of the State. The failure to timely complete the CAFR could also hinder the timely submission of the Single Audit Report which could result in federal discretionary drawdowns being suspended.

Historically, MDE prepared journal entries and submitted information regarding their annual expenditure accrual in preparation of their GAAP packet. Due to the implementation of MAGIC, Department of Finance and Administration (DFA) prepared the annual entry to accrue payables for expenditures that occurred before fiscal year end at June 30, 2015 but were not billed until the next fiscal year. This accrual entry was prepared by DFA, but ultimately reviewed and approved by MDE personnel. During our review of the Fund 5320100000 GAAP Packet at MDE, we noted that the initial accrual entry was understated by \$40,368,389, resulting in revision to the original journal entries and GAAP Packet reporting. This revision was the result of transactions recorded in the subsequent accounting period and was not identified by MDE during the initial review of the Fund 5320100000 GAAP Packet. Due to the extraordinary circumstances revolving around the implementation of MAGIC, this error is not expected to be repeated in future years.

Generally accepted accounting principles require accounting transactions to be recorded in the appropriate accounting period to ensure completeness and accuracy of the financial statements. The failure to properly record expenditure transactions in the correct period could lead to material misstatements in the financial statements.

Recommendation:

We recommend the Mississippi Department of Education implement procedures to ensure a comprehensive review and timely completion of their GAAP packets in order to help ensure the CAFR and Single Audit Report are accurate and published in accordance with state and federal law.

End of Report



MISSISSIPPI DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.
State Superintendent of Education

March 28, 2016

The Honorable Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

In accordance with your correspondence dated March 14, 2016, the Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the single audit findings for the fiscal year ending June 30, 2015.

Single Audit Findings:

REPORTING

***Immaterial Noncompliance
Significant Deficiency***

10.553	National School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program

Federal Award Number and Year

2014CN20204	2014	2015CN202045	2015
2014IN202045	2014	2015IN202045	2015
2014CN109945	2014	2015CN109945	2015
2014IN109945	2014	2015IN1049945	2015

Questioned Costs: None

2015-022 Controls Should Be Strengthened over Federal Reporting for the Child and Adult Care Food Program and the Child Nutrition Programs

Response: The Mississippi Department of Education (MDE) acknowledges that supporting documentation to support FNS-777 financial status reports was not maintained, nor was an independent review of the data conducted. In previous years the Office of Child Nutrition used the FED Aid Master Report generated monthly from the Statewide Automated Accounting System (SAAS) to provide supporting documentation and aid in completion of FNS-777 reports. The State Automated Accounting System was replaced by Mississippi's Accountability System for Government Information and Collaboration (MAGIC) effective July 1, 2014. The new system did not have any report type available to provide the needed documentation, nor did MDE staff have the capability to create a similar report from MAGIC. Although the State of Mississippi has worked to improve the reporting capabilities of MAGIC, the inability of MDE to extract data from MAGIC in a useable report, or have access to reports similar to the SAAS FED Aid Master Report, contributed greatly to this finding. Running SAAS parallel while MAGIC was being implemented would have allowed MDE staff to identify needed reports that MAGIC was not able to produce and make requests to the appropriate entity that MAGIC provide these reports for future years. It is our strong belief that doing so would have prevented this finding from occurring. The MDE will take the necessary steps to ensure that all supporting documentation for future reports is maintained on file. We will also ensure that the FNS-777 financial status reports are reviewed by the Office of Accounting prior to submission.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation.

The Mississippi Department of Education will exercise due care in the future to ensure that all supporting documentation is maintained on file for review. We have incorporated a more thorough review process of the FNS-777 financial status reports by ensuring that the reports are reviewed independently by the Office of Accounting prior to submission.

B. Name of the contact person responsible for corrective action.

James A. Hart, Director – Office of Accounting

C. Anticipated completion date for corrective action.

June 30, 2016

**ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COST/COSTS PRINCIPLES**

***Immaterial Noncompliance
Control Deficiency***

10.553	National School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children

10.558 Child and Adult Care Food Program

Federal Award Number and Year

2014CN20204	2014	2015CN202045	2015
2014IN202045	2014	2015IN202045	2015
2014CN109945	2014	2015CN109945	2015
2014IN109945	2014	2015IN1049945	2015

Questioned Costs: \$766,007

2015-023 Controls Should Be Strengthened over Allowable Costs for the Child and Adult Care Food Program and the Child Nutrition Programs

Response: The Mississippi Department of Education acknowledges that errors were made initially in the recording of expenditures within the Federal Child Nutrition Block Grant. The Child Nutrition Block Grant is one grant with multiple subcategories identified with individual Catalog of Federal Domestic Assistance (CFDA) numbers to distinguish School Breakfast, School Lunch, Child Care, etc. The auditors noted that of 8,071 expenditures only 25 (0.3%) were assigned to an incorrect subcategory within the Child Nutrition Block Grant. Initially, MDE was only able to record expenditures for all subcategories within the Federal Child Nutrition Block Grant to the MAGIC cost center of the block grant itself and not individual subcategories. As MAGIC has evolved MDE staff has established subcategories within this grant to record expenditures to the appropriate subcategory. All noted errors were corrected and a review and reconciliation of this grant was implemented to ensure that all expenditures are properly assigned.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation.

The Mississippi Department of Education will continue to strengthen controls through a more thorough review process and exercise due care in the future to ensure that all expenditures are properly assigned.

B. Name of the contact person responsible for corrective action.

James A. Hart, Director – Office of Accounting

C. Anticipated completion date for corrective action.

June 30, 2016

Honorable Stacey E. Pickering

Page 3

March 28, 2016

The MDE is grateful to the audit team members of the Office of the State Auditor for the professional manner in which this audit was conducted. The auditors are to be commended for providing positive feedback to MDE staff in order to strengthen agency operations. We would also like to thank the auditors for taking additional time to meet with MDE staff in order to listen to our concerns before the final audit report was issued.

Should you have any questions or need additional information please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Carey M. Wright". The signature is written in a cursive style with a large, prominent initial "C".

Carey M. Wright, Ed.D.
State Superintendent of Education



MISSISSIPPI DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.
State Superintendent of Education

March 28, 2016

The Honorable Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

In accordance with your correspondence dated March 9, 2016, the Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the financial audit findings for the fiscal year ending June 30, 2015.

2015-021 GAAP Packet Review Should be Comprehensive and GAAP Packets Should be Completed in a Timely Manner

Response: The Mississippi Department of Education (MDE) does acknowledge that Fund 532010000 was not submitted until December 16, 2015, and that based on the timeline provided by the Mississippi Department of Finance and Administration (DFA) was considered late. However, we would like to point out that the delay in submitting the GAAP package was directly related to the mandated implementation of the Mississippi's Accountability System for Government Information and Collaboration (MAGIC) by DFA.

The initial workshop held by DFA to provide agencies guidance for the preparation of the GAAP package was held in late October, 2015. Agencies were subsequently notified by email on October 29, 2015, that GAAP packages were due on November 3, 2015. Given the comparatively large number and dollar amount of the funds MDE is required to submit, and the extremely short turn-around time for submitting the information, an extension was requested and approved by DFA. MDE worked with DFA to submit GAAP packages for all forty (40) funds. The majority of the funds were submitted timely. However, with Fund 532010000 being the largest and most complex, was submitted last. The MDE will take the necessary steps to ensure that all GAAP Fund packages are submitted timely in the future. However, MDE believes that without the chaos and confusion brought about by the unwise decision to implement MAGIC without a pilot being conducted, or allowing the new system to run parallel with the old system, the GAAP package would have been submitted in a timely manner.

Additionally, the auditor noted that expenditure accruals totaling \$40,368,389 for Fund 532010000 were not initially recorded in 2015, but in fiscal year 2016. Again, this was a direct result of the implementation of MAGIC. The Department of Finance and Administration held a workshop on Saturday, June 27, 2015, at which all agencies were required to zero out remaining balances in fiscal year 2015 federal grant budgets before the start of the new fiscal year. Budget staff from MDE attended the workshop and completed the exercise as instructed. By requiring all fiscal year 2015 federal budgets to be zeroed out prior to the start of the new fiscal year, the only available federal budgets from which payments could be made in July, 2015 were fiscal year 2016 budgets. This led to payments that should have been posted to fiscal year 2015 budgets being posted to fiscal year 2016 budgets. Additionally, DFA made all accruals for fiscal year 2015 as opposed to previous years when agencies made their own accruals. Since DFA was not aware of what a normal accrual would look like for this fund, they were not aware that the accrual amount should have reflected the payments made for fiscal year 2015 from the fiscal year 2016 budget due to the requirement of zeroing out the fiscal year 2015 budget prior to the close of the fiscal year. Thus, leading to the payments being posted in the incorrect fiscal year. The process of zeroing out federal budgets before the start of a fiscal year has never been required, and, according to DFA, will not be required for future fiscal years. Again, MDE directly attributes the incorrect posting of the expenditures for this fund to the implementation of MAGIC and believes this finding is unwarranted.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation.

The Mississippi Department of Education will exercise due care in the future to ensure that a thorough and comprehensive review of all data is performed and completed timely.

B. Name of the contact person responsible for corrective action.

James A. Hart, Director – Office of Accounting

C. Anticipated completion date for corrective action.

June 30, 2016

The MDE would like to extend our appreciation for the courtesy and professionalism exhibited by the audit team of the Office of the State Auditor conducting this audit. We acknowledge the compressed time frame in which the audit had to be completed due to the impact of the implementation of MAGIC. We are grateful to the Office of the State Auditor's entire staff for their willingness to earnestly take into consideration our comments on issues before the final audit report was released.

Should you have any questions or need additional information please do not hesitate to contact me.

Sincerely,



Carey M. Wright, Ed.D.
State Superintendent of Education



MISSISSIPPI DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.
State Superintendent of Education

March 28, 2016

The Honorable Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

In accordance with your correspondence dated March 9, 2016, the Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the other audit findings for the fiscal year ending June 30, 2015.

Other Audit Findings:

**ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COST/COSTS PRINCIPLES**

Control Deficiency

84.027/84.173 Special Education Cluster
84.367 Title II Improving Teacher Quality

Federal Award Number and Year

H027A130146 2013
H173A130113 2014
S367A140023 2014

Questioned Costs: None

Oth-07 Controls Should Be Strengthened over Sub Recipient Project Budgets in Agency Records

Response: The Mississippi Department of Education (MDE) acknowledges that errors were made initially in the recording of expenditures relating to sub recipient project budgets. The implementation of Mississippi's Accountability System for Government Information and Collaboration (MAGIC) caused significant recording

and reporting challenges. In an attempt to overcome these challenges, MDE staff implemented new control processes. However, these initial control processes required human input leading to a data entry error. All errors were corrected and new procedures have been implemented to ensure that all project balances are accurate and reliable. As stated in the Audit Report, no districts were paid incorrectly or in excess of their approved budget allocations. We will continue to strengthen controls and exercise due care in the future to ensure accuracy.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation.

The Mississippi Department of Education will exercise due care in the future to ensure that all data is accurate and reliable. We have incorporated a more thorough review process of project balances to ensure the accuracy of all project balances.

B. Name of the contact person responsible for corrective action.

James Hart, Director – Office of Accounting

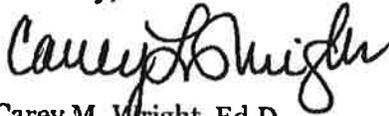
C. Anticipated completion date for corrective action.

June 30, 2016

The MDE is most appreciative of the audit team of the Office of the State Auditor for their conduct of this audit. The audit team members maintained a professional and courteous attitude throughout the audit process and were consistent in their willingness to take into consideration our comments on issues before making determinations for the final audit report.

Should you have any questions or need additional information please do not hesitate to contact me.

Sincerely,



Carey M. Wright, Ed.D.
State Superintendent of Education