



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

December 16, 2020

**Limited Internal Control and Compliance Review Management Report**

Burl Cain, Commissioner  
Mississippi Department of Corrections  
301 North Lamar Street  
Jackson, Mississippi 39201

Dear Commissioner Cain:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Department of Corrections for the period July 1, 2017 to December 31, 2019. In these findings, the Auditor's Office recommends the Mississippi Department of Corrections:

1. Members of the Executive Management Should Embrace and Implement Ethical Business Practices, and Improve the Ethical Tone of the Organization.
2. Strengthen Internal Controls Throughout All Divisions;
3. Strengthen Controls to Ensure Compliance with State Laws Over Compensatory Time Buyouts;
4. Strengthen Controls Over Travel Expenditures to Ensure Compliance with Laws and Regulations;
5. Strengthen Controls Over Purchasing to Ensure All Purchases are Necessary, Legal, and Reasonable.
6. Strengthen Controls Over Accounting System to Ensure Compliance with Laws and Regulations;
7. Strengthen Controls Over Restitution Banking to Ensure Compliance with Laws and Regulations;
8. Strengthen Controls Over Bank Accounts to Ensure Compliance with Laws and Regulations;
9. Strengthen Controls to Ensure Compliance with State Laws and Regulations over Procurement Cards;
10. Strengthen Controls to Ensure Compliance with State Law over Cash Receipts;
11. Strengthen Controls Over Contractual Expenditures to Ensure Compliance with Laws and Regulations;
12. Strengthen Controls Over Commodity Expenditures to Ensure Compliance with Laws and Regulations;
13. Strengthen Controls to Ensure Compliance with State Laws and Regulations over Fringe Benefits;
14. Strengthen Controls Over Fuel Purchases to Ensure Compliance with Laws and Regulations;
15. Strengthen Controls over Employee Insurance;
16. Strengthen Controls over Capital Assets;
17. Ensure Compliance with State Laws Over Personal, Medical, Compensatory, and Donated Leave to Ensure Compliance with Laws and Regulations;
18. Ensure Compliance with State Laws over Surety Bonds

The enclosed findings contain more information about our recommendations. We have attached a copy of the agency's Corrective Action Plan to this audit, and both letters should be read in conjunction.

Mississippi Department of Corrections

December 16, 2020

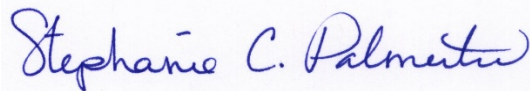
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During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive style and is positioned above a light blue rectangular background.

STEPHANIE PALMERTREE, CPA, CGMA  
Director, Financial and Compliance Audit  
Office of the State Auditor

The Office of the State Auditor (OSA) has completed its Limited Internal Control and Compliance Review of the Mississippi Department of Corrections for the period July 1, 2017 to December 31, 2019. The Office of the State Auditor's staff members participating in this engagement included Ashley Jolly, CPA; Vincent Steiner; John Brandon, CPA; Allen Case, CPA; Phillip Chu, CPA; Elevia Tate; and LaSabre Charleston.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of internal control over compliance would not necessarily disclose all matters in internal control over compliance that might be weaknesses. 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.

*A deficiency in internal control over compliance* 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 noncompliance on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that a material noncompliance with applicable state laws 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 over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In performing our review, we noted certain matters involving deficiencies in internal control over compliance and instances of noncompliance with state laws that require the attention of management. These matters are under the headings: **MATERIAL WEAKNESS, MATERIAL WEAKNESSES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW, SIGNIFICANT DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW, OTHER CONTROL DEFICIENCIES,** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAW.**

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**Auditor's Note:** *The current Commissioner and Deputy Commissioner of the Mississippi Department of Corrections (MDOC), along with Governor Reeves, requested the Office of the State Auditor (OSA) perform an in-depth review of the agency's compliance with state laws and regulations after discovering irregularities in the accounting records after the transition from the former MDOC Commissioner (PH). This review is meant to be read in conjunction with the prior compliance review performed by this office of fiscal year 2017 (July 1, 2016 through June 30, 2017). The period of this report covers July 1, 2017 through December 30, 2019, which encompasses the former MDOC's service as Commissioner.*

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## **MATERIAL WEAKNESS**

**Finding 1:** Members of the Executive Management at Mississippi Department of Corrections (MDOC) Should Embrace and Practice Ethical Business Practices and Improve the Ethical Tone of the Organization.

**Internal Control Principle:** *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when there is a commitment to integrity and ethical values. This principle of “tone at the top” management serves as the foundation of all other components of internal control. The tone at the top sets an agency's guiding values and ethical climate,

and illustrates to all employees the importance of ethical behavior in order to achieve agency goals and to ensure fiscal responsibility of public funds.

**Finding Detail:** During a review of MDOC’s internal control structure and compliance with state laws and regulations, auditors repeatedly encountered instances where certain members of Executive Leadership deliberately circumvented controls and participated in widespread fraud, waste, and abuse. Subsequent findings in this report detail some specific examples of this behavior, while the rest has been inferred based on inquiry with MDOC personnel. Personnel at MDOC felt neither obligated nor empowered to follow state laws and regulations regarding purchasing, travel, asset control, public records laws, and other regulations. Personnel, in some instances, were unaware of appropriate laws and did not receive adequate training. In other instances, personnel did not follow established policies and procedures due to lack of appropriate managerial oversight. The subsequent findings in this report, in the aggregate, illustrate a complete disregard for appropriate internal control structure and have led to significant fraud, waste, and abuse at the agency.

**Recommendation:** We recommend the current Executive Leadership at the Mississippi Department of Corrections evaluate all existing policies and procedures to ensure ethical and appropriate business practices are followed in the future. Additionally, we recommend employees and management undergo training classes on exhibiting appropriate “tone at the top” leadership and adopting an ethical work culture.

**Agency Response:** The MDOC Executive Leadership concurs with this finding and has established its vision for the organization as a professional organization that is honorable, honest, transparent, innovative, and fiscally responsible. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** No.

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## MATERIAL WEAKNESSES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 2:** MDOC Should Implement and Strengthen Internal Controls Throughout All Divisions and Processes.

**Applicable State Laws/Internal Control Principle:** *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) are the most broadly accepted standards for internal control in the United States. Inherent in any control structure is the concept of the internal control environment. The control environment encompasses the overall set of standards, processes, and structures that provide the basis for carrying out all other controls in an organization; therefore, in order for an agency to have adequate internal controls, the agency must have a sufficient control environment. Additionally, The Mississippi Agency Accounting Policies and Procedures (MAAPP) manual An overall lack of controls, including written policies and procedures, results in an ineffective control environment, which can lead to fraud, waste, and abuse.

Recognizing the importance of the control environment in any state agency, *Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual* details the required internal control structures that must be present in each state agency in order to abide by Mississippi law. MAAPP section 30 has set forth guidelines for adequate implementation, documentation and evaluation of an agency’s internal controls. The MAAPP manual specifically states part of the agency management’s responsibilities is to “support the agency’s internal control philosophy, promote compliance, and maintain control within their areas of responsibility.”

**Finding Detail:** During a review of MDOC’s internal control structure and compliance with state laws and regulations, auditors noted several areas where internal controls over specific processes and transactions were either ineffective or nonexistent. Often during the review, auditors requested copies of existing internal control policies and procedures and were informed that none existed. Through the performance of walk-throughs of internal controls, interviews with agency staff, and transaction specific testwork, auditors determined that most agency personnel were aware of the agency’s internal control policies that did exist; however, the internal control policies were not followed. Additionally, agency personnel were not held accountable by management for not following the policies. More alarmingly, agency personnel did not appear to have adequate training or knowledge of their required job duties in several instances.

Agency personnel failed to acknowledge and implement MDOC’s Corrective Action Plan concerning findings noted during the 2017 fiscal year compliance review. These corrective action measures were provided by former Commissioner PH to the Office of the State Auditor on March 4, 2019. The overall atmosphere of the agency was one of unconcern regarding internal control policies and procedures. Ultimately, the overall control environment for the agency is the responsibility of management, and includes the establishment, evaluation, and on-going monitoring of the agency’s controls over the accounting functions. One of the key factors to an effective control environment is management’s respect for and adherence to the agency’s internal controls. Lack of an adequate control environment can lead to significant waste, fraud, and abuse.

Additionally, agency was unable to provide some records to the auditors when requested due to the agency destroying audit documentation and public records. Inquiry with agency personnel revealed that the agency accidentally destroyed records relating to procurement cards, purchasing, cash receipts, and other vital financial processes during the move from one physical office space to another. Personnel stated that some records were marked for destruction and should have been moved to a truck housing items that were to be “burned” or destroyed. However, agency personnel mistakenly moved public records and vital accounting records to the “burn” truck; thereby destroying evidence of many purchases, approvals, and audit evidence.

**Recommendation:** We recommend the Mississippi Department of Corrections immediately establish internal control policies for all processes and that personnel are adequately informed and trained on the new policies and procedures. Additionally, management should take appropriate actions to ensure personnel follow said policies, including pursuing disciplinary action against those violating policies as needed.

**Agency Response:** The agency contracted with an outside CPA firm during FY 2018 to review and revise its Internal Control Plan. Additional training will be provided to managers who will be required to follow the agency’s Internal Control Plan. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** Yes.

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**Finding 3:** MDOC Should Strengthen Controls to Ensure Compliance with State Laws Over Compensatory Time Buyouts.

**Applicable State Laws/Internal Control Principle:** *Section 25-3-92 Miss. Code Ann. (1972)* states, “When, in the opinion of the appointing authority, it is essential that a state employee work after normal working hours, the employee may receive credit for compensatory leave.”

*Section 3.2 of the Mississippi State Employee Handbook* states, “Compensatory time earned under State law is credited at a rate of an hour for an hour for all employees. Upon termination of employment, an employee may not be paid for accumulated state compensatory leave.”

*Attorney General Opinion 1981 WL 39973 (Miss. A.G.)* states, “It is obvious from a reading of Section 5.72.7, *Supra*, that no monetary payment is contemplated for compensatory leave. The limitation placed in the rule that such compensatory leave as may have been credited to an employee is required to be used within three (3) months of the time it was earned supports this conclusion. It is the opinion of this office, therefore, that the giving of credit for hours actually worked by a State employee, which are essential to the employing agency after normal working hours, is within the discretion of the employing agency and is not mandatory nor does it constitute a vested right. It is the further opinion of this office that the satisfying of such credit, if granted, is limited to granting the employee equal time off from normal working hours within three (3) months of the time the credit was earned. It is also the opinion of this office that in no event is a monetary payment in lieu of such compensatory leave legally authorized.”

*Attorney General Opinion 1991 WL 577617 (Miss. A.G.)* states, “Where municipal employees are hired with the understanding that they will receive additional compensation for working on holidays, is it in fact legally permissible to pay such compensation, or is compensatory time the only means for remunerating employees for holiday service? [...] In response to your second question, please see the enclosed copy of an opinion addressed to Mr. Lawrence Primeaux, dated May 24, 1991. That opinion states, *inter alia*, that municipalities, except those which administer an ‘old’ retirement system pursuant to Sections 21-29-1 et seq., may adopt leave policies which exceed that offered by the State. However, any benefits which exceed those given by the State may not be reported to the Public Employees Retirement System to be used in determining creditable service and retirement benefits. As you know, payment for compensatory leave is not available under the State plan.”

*Attorney General Opinion 1996 WL 50176 (1996)* states, “In response to your second question concerning a lump sum payment for unused compensatory time, this office has previously held that a state employee has no right to payment for accumulated compensatory time. See the enclosed prior opinions of this office to Charles S. Head dated June 25, 1992, and G. Kenner Ellis, Jr. dated May 28, 1991. Therefore, the employee is not entitled to receive a lump sum payment for any unused compensatory time.”

*Mississippi State Personnel Board (MSPB) letter to MDOC (December 14, 2015)* states, “...MDOC requests the authority to pay cash compensation for up to 200 hours of compensatory time earned by employees who have been determined by MDOC to meet the conditions to be exempt from the overtime pay requirements of the Fair Labor Standards Act (FLSA). MSPB does not have the authority to authorize the payment of cash compensation for accrued compensatory time. Call back pay is not intended to serve in lieu of normal state or FLSA compensatory time and cannot be used to provide cash compensation for compensatory time accrued in non-emergency situations.”

**Finding Detail:** MDOC’s classification as an organization responsible for public safety allows for some exclusions to state law in regards to payouts of overtime. Some employees of MDOC, specifically those classified as law enforcement officers (LEO’s), are governed by federal wage and hour rules as defined by the Fair Labor Standards Act (FLSA). FLSA regulations require that LEO’s performing law enforcement activities be paid overtime for work on a weekly overtime threshold of 42.75 hours a week. Overtime that is accrued with FLSA should be noted as such by the agency, and should be paid out in the paycheck immediately following the performance of the overtime hours after 240 have been accrued, as the MS State Personnel Board rules state. Additionally, FLSA defines applicable law enforcement activities as those “employees in positions properly classified in the Correctional Officer Series, Guard Series, or other series, whose primary duty is to maintain custody of inmates of a correctional institution” and defines “employees who work within correctional institutions but who do not have direct custody and safeguarding of inmates as their primary duty” as individuals not engaging in law enforcement activities.

The FLSA also states that an employee who spends more than 20% of the workweek or applicable work period engaging in activities that are not classified as law enforcement activities (enforcing laws designed to maintain peace and order, protect life and property, and to prevent and detect crimes; who have the power to arrest; and who have undergone training in law enforcement) not considered eligible for FLSA overtime.

The Mississippi State Personnel Board (MSPB) allows employees of the State of Mississippi to accrue “compensatory time” for overtime hours worked in conjunction with job duties on a “one hour to one hour” ratio and in accordance with established agency policy as defined by state agency. Compensatory (or comp) time cannot be paid out to employees in a lump sum or on a paycheck by paycheck basis unless specific statutory authority or budget authority has been granted by the Mississippi State Legislature. Additionally, comp time cannot be transferred as “worked hours” to the MS Retirement System and counted as “years of service” when calculating retirement benefits. At the point of termination, resignation, or retirement, any unused comp time is zeroed out with no residual value.

Due to the nature of MDOC and the possibility of circumstances where employees must be “called back” to the office due to the threat of life or property (for example, an escaped prisoner or prison riot), employees are authorized by the MSPB to receive “call back” pay. Based on regulations provided to auditors from the MSPB, these employees must be off the clock prior to receiving notification that they must return to work, and MDOC must adequately document the specific instance that has required the “call back” pay to be utilized. Overtime hours worked continuously after the usual conclusion of a work day are not considered “call back” pay and must be treated as either FLSA overtime, if applicable, or comp time.

During 2015, former Commissioner PH (in her then role as MDOC Chief of Staff) requested clarification from the MSPB regarding the use of the “call back” classification in the MDOC time system, and requested authority to pay out lump sum comp time payments to employees for up to 200 hours of accrued comp time. MSPB’s response to former Commissioner PH included permission to use the “call back” classification for time correctly classified as “call back” pay for Correctional Officers. MSPB further stated that MDOC did not have authority or permission to pay lump sum comp time to employees as it was a violation of state law. The MSPB letter further stated that call back pay is not intended to serve in lieu of normal state or FLSA comp time and cannot be used to provide cash compensation for compensatory time accrued in non-emergency situations.

Based on MSPB regulations in accordance with FLSA overtime, employees who are subject to FLSA requirements must accrue at least 240 hours of FLSA time as comp time (at the one and half times the hourly rate) before any FLSA time can be paid out. The SPHARS system (Mississippi payroll system) automatically pays out FLSA overtime in a cash payment once the 240 hours of FLSA overtime has been accrued.

During a review of MDOC’s internal control structure and compliance with state laws and regulations auditors noted that the agency paid out lump sum comp time payments on five different occasions from July 1, 2017 through December 31, 2019. The first comp time buy out was made on July 31, 2017, a little over four months after former Commissioner PH was confirmed by the Mississippi Legislature. In every case, former Commissioner PH initiated the comp time buy outs for all MDOC staff. Staff were asked if they wanted to participate in a lump sum comp time buyout up to a certain number of hours. According to information provided to auditors, a list of all these comp time buy out amounts were then presented to former Commissioner PH for approval and authorization. As stated above, MDOC has no statutory authorization to pay out lump sum comp time; therefore, these payments constitute illegal payments to the employees of MDOC. In total, the buy outs from July 1, 2017 to December 30, 2019 totaled \$10,292,623.

It should be noted that all employees of MDOC were apparently given the chance to participate in the comp time buyout, regardless of position or salary. However, the highest buyouts were reserved for those making in excess of \$100,000 annual salary, including former Commissioner PH and the Deputy Commissioner of Institutions. Former Commissioner PH received \$109,646 in buy out payments while the former Deputy Commissioner of Institutions received \$240,497 in buy outs, including one lump sum payment in the amount of \$160,000 in July 2017.

Average comp time buy outs are as follows for salary classifications:

Average pay out for those making \$25,000 or less - \$338

Average pay out for those making between \$25,000 and \$50,000 - \$3,199

Average pay out for those making between \$50,000 and \$75,000 - \$11,894

Average pay out for those making between \$75,000 and \$100,000 - \$39,574

Average pay out for those making \$100,000 or more in salary - \$76,793

MDOC utilized the “call back” option authorized by MSPB in 2015 to circumvent the controls in the MSPB system to allow the lump sum comp time payments to be issued. Former Commissioner PH was aware the system allowed for some buy outs for call back pay, but was also aware that MSPB specifically denied MDOC the ability to pay out lump sum comp time buyouts, and clarified that the call back classification was not to be utilized to pay these payments out.

Upon initial inquiry with MDOC personnel, these payments were justified as legal because “Commissioners before PH did this routinely” and that these payments were all for “call back” pay. MDOC later clarified that the hours paid out were “agency comp hours” that accrued after the normal work week of 40 hours, and before the 42.75 hour limit of FLSA comp time for those employees classified as FLSA. However, some of the comp time hours recorded in the system were denoted as overtime for “executive workload” and for individuals that are exempt from the FLSA, including accountants, attorneys, and Executive Staff. Auditors were unable to verify that former Commissioners routinely engaged in this practice, as MDOC could not provide evidence to support this assertion. It should be noted that MDOC did continue the practice of paying out lump sum buy outs during the Interim Commissioner’s time (from January 2020 to March 2020) until the newly appointed Deputy Commissioner of Administration and Finance ceased the practice. When asked for evidence of statutory authority to pay these buy outs, MDOC personnel stated that the LEO’s buy outs should be excluded and provided HB 435 from the 2015 Mississippi Legislative Session as the authority to pay out LEO comp time; however, HB 435 was never brought out of Legislative Committee and never became law; therefore, the justification using the HB is invalid. Also, SB 2481 was introduced in the 2020 Legislative Session with the same language from HB 435. SB 2481 also never left Committee and was not approved as law. When presented with the opportunity to allow cash overtime pay instead of compensatory time twice, the MS Legislature has denied both attempts to change the law, which emphasizes that these comp time buy outs are not legal.

When all of these factors are considered, it is apparent to auditors that the comp time buy outs MDOC initiated do not include FLSA time, and only include agency comp time. Additionally, auditors noted excessive amounts of agency compensatory time awarded at MDOC, which contributed to the amount of lump sum payouts. Auditor noted, through discussions with MDOC personnel and review of policies regarding leave, that MDOC does not have written or formal policies and procedures regarding compensatory time. Per review of employee timesheets, auditor noted the justification for compensatory time earned stated “executive workload” or did not have a justification.

While comp time cannot be used to calculate years of service for pension and retirement calculations, these pay outs were considered “payroll” and wages of these employees. Former Commissioner PH and former Deputy Commissioner of Institutions have both retired from the State and are currently receiving



pension checks from the Mississippi Public Retirement System (PERS). These illegal payments have been included in the individuals "high four" years of public service and have artificially inflated the annual pension benefits these individuals receive.

**Auditor's Note:** These matters have been referred to various Investigative Divisions, including the Investigative Division of the Office of the State Auditor.

**Recommendation:** We recommend the Mississippi Department of Corrections strengthen controls over compensatory time to ensure compliance with state law and the regulations.

Further, we recommend policies to limit excessive compensatory time be established. We also recommend PERS perform a forensic audit of personnel who received noted illegal payments to determine how to adjust maximum benefit allowed through the statewide retirement system. Lastly, we recommend immediate action be taken to attempt to recover these illegal payments from those individuals who knowingly circumvented controls and authorized these illegal payments.

**Agency Response:** MDOC acknowledges the finding concerning compensatory time buyouts. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** No.

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**Finding 4:** Agency Should Strengthen Controls Over Travel Expenditures to Ensure Compliance with Laws and Regulations

**Applicable State Laws/Internal Control Principle:** *Section 25-1-83, Miss. Code Ann. (1972)* requires prior written approval from the department head for employee attendance at any convention, association, or meeting in order for expenses to be reimbursed. Such reimbursed expenses must then be reported annually to the Legislature.

*Section 25-3-41, Miss. Code Ann. (1972)* establishes guidelines for travel reimbursements of officers and employees of the State of Mississippi, and of any department, institution, board or commission thereof. It also establishes that the Mississippi Department of Finance and Administration (DFA) shall promulgate rules and regulations regarding State Travel Policy.

Rules established by the Department of Finance and Administration's (DFA) Office of Purchasing, Travel & Fleet Management's (OPTFM) *Travel Policy Rules & Regulations* set out the following requirements:

- *Section 3 .107 A* states, "Each state agency subject to oversight by the Bureau of Fleet Management shall use the Trip Optimizer System developed and administered by the Development of Finance and Administration ..., in computing the optimum method and cost for travel by state officers and employees using a motor vehicle where the travel will exceed one hundred (100) miles per day and the officer or employee is not driving a state-owned or state leased vehicle that has been dedicated or assigned to the officer or employee."
- *Section 2.106* states, "Meals shall not be claimed as expenses if the meals are included in the conference registration fee."
- *Section 1.100.N* states the travel status is the official status of an employee when away from the employee's Official Duty Station and Official Residence on official state business. Good internal controls require the Official Residence of the employee be documented on the travel voucher to ensure the mileage reimbursement is properly calculated.

- *Section 3.109* states, "For all flights which are not booked through one of the contract travel agencies, the state agency must maintain in its files a cost comparison showing a minimum of two (2) fares. This cost comparison must show the fare and any issuance cost and must show a savings, and shall be submitted along with the employee's Travel Voucher."

DFA's *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual, Section 19 .20.10, states the following general guidelines for the completion of a travel voucher.

- The travel voucher must be verified, which means the verifier has confirmed that all appropriate receipts are attached, the trip optimizer has been completed correctly, and the total to be paid is correct.
- The Travel Voucher must have an approval signature, which is a third level of verification and certification that the Travel Voucher is correct.
- When conference hotel rooms are booked, a copy of the conference literature showing the rates must be attached to the Travel Voucher. Refer to the Travel Manual if rates are not shown.
- For all mileage claimed, the physical addresses of point of origin and all destinations must be included under Points of Travel.

**Finding Detail:** During our review of 94 travel expenditures at the Mississippi Department of Corrections during the period covering July 1, 2017 through December 31, 2019, we noted the following discrepancies:

*Instances specific to former Commissioner PH:*

- Two (2) instances in which Agency could not provide travel voucher or support for Commissioner PH's travel. Auditor was unable to determine reasonableness of reimbursements totaling \$2,443.90.
- Nine (9) instances in which Commissioner PH's personally received reimbursements for travel expenses from third party organizations which were not used to reduce travel expenses noted on Commissioner's travel voucher reimbursement request. The Commissioner's omission of these reimbursements resulted in MDOC reimbursing the Commissioner \$12,920.43 for non-reimbursable travel expenses. Commissioner PH reimbursed MDOC \$6,597.97 of the \$12,920.43 on April 16, 2020 resulting in \$6,322.46 in excessive payments by MDOC to Commissioner PH. Commissioner PH's repayments were paid in a range of five to nine months after the dates of travel noted on submitted travel vouchers.
- Three (3) instances in which Commissioner PH traveled outside of the country without required approval from MS Governor. Unapproved outside of the country travel totaled \$8,960.91.
- Fourteen (14) instances of excessive travel reimbursements issued to Commissioner PH where travel did not relate to job responsibilities of an MDOC employee. Travel reimbursements related to travel for various Bar Associations, Trial Settlement Conferences, and Judges Conferences. Noted excessive travel reimbursements represented nineteen percent of Commissioner PH's travel costs for audit period.
- One (1) instance in which Commissioner PH paid in advance for flight to Philadelphia, PA for \$853.20 during same time period as submitted travel voucher for travel in New Orleans, LA. The departure date was noted as 7/29/2018 and per submitted travel voucher Commissioner PH was attending National Bar Association Training in New Orleans. Agency did not have support that Commissioner PH reimbursed Agency for flight to Philadelphia, PA.

Failure to appropriately record, monitor, and approve travel for former Commissioner PH resulted in \$18,580 in payments that should be reimbursed to the State of Mississippi.

**Auditor's Note:** These matters have been referred to various Investigative Divisions, including the Investigative Division of the Office of the State Auditor.

*Instances specific to Parole Board Member BLJ:*

- Twenty-seven (27) instances in which Parole Board Member BLJ was reimbursed travel to report to listed work station in Jackson, MS. Travel to assigned work stations is not a reimbursable expense. Unallowable travel reimbursements for Parole Board Member BLJ included hotel reservations, meals and mileage totaling \$47,321.18.
- One (1) instance in which Parole Board Member BLJ submitted travel voucher 300 days after last date of travel. Due to the lengthy delay of reimbursement request, Agency did not have a proper cut-off of travel expenses for 2019 fiscal year as submitted voucher was reimbursed during 2020 fiscal year. This resulted in \$1,099.53 worth of travel expenses to not be properly recognized in 2019 financials.

Failure to appropriately record, monitor, and approve travel for Parole Board Member BLJ resulted in \$47,321 in payments that should be reimbursed to the State of Mississippi.

**Auditor's Note:** This matter has been referred to the Investigative Division of the Office of the State Auditor for possible civil demand.

*All other instances:*

- Fourteen (14) instances in which the agency paid more than the statement balance, then failed to record subsequent transactional detail until the credit had been exhausted.
  - Largest Amount overpaid \$ 16,536.14
  - Five (5) months in which the ending balance was a credit balance.
- Seven (7) instances in which payments for the travel card balance were not paid timely.
- One (1) instance in which the monthly statement was not provided
- Twenty-five (25) instances in which the traveler did not utilize the Trip Optimizer for mileage traveled over 100 miles in a private vehicle. Reason documented on travel voucher stated renting a vehicle did not fit schedule or no vehicle available for rent. Travel voucher did not provide documentation supporting reasoning provided.
- One (1) instance in which 3 meal expenses totaling \$60 per travel voucher were improperly reimbursed (meals were included with the conference registration fees).
- Two (2) instances in which completed travel voucher used incorrect meal reimbursement rate. Travelers were reimbursed at a rate of \$56 per day instead of \$41 resulting in improperly reimbursing \$135 more than allowed.
- Two (2) instances in which MDOC provided a hotel for Deputy Commissioner DL in Jackson, MS even though the Deputy Commissioner is listed as working in the central office in Jackson, MS. MDOC excessively reimbursed Deputy Commissioner DL \$298.23 for travel that was unallowable travel due to being within the area of his official work station.
- Four (4) instances in which a submitted travel voucher did not provide an appropriate physical address to determine reasonableness of mileage reimbursement for travel in a private vehicle. Completed travel voucher denoted a P.O. Box, therefore, auditor was unable to determine actual mileage traveled by employee. Employee received \$1,494.27 in mileage reimbursements without an appropriate audit trail.

- Forty-three (43) instances in which submitted travel voucher did not provide support of conference hotel rate to document cost-savings to Agency for hotel reservations booked.
- Seven (7) instances in which out-of-state travel authorization forms were not completed by MDOC employees. The total reimbursed for unapproved travel totaled \$12,431.75.
- Forty-four (44) instances in which travel voucher did not have appropriate support to document purpose of travel. Agency did not require brochure of conference or agenda of travel.
- Eleven (11) instances in which submitted travel voucher did not include appropriate receipts for support of travel expenses. Auditor was unable to determine if amount reimbursed was reasonable.
- Thirteen (13) instances in which Agency did not use an approved travel agent to book airline flights. Agency is required to document comparison of a minimum of two (2) fares when booking flights without using an approved travel agent. Agency is required to document a cost savings approach to travel services when using vendors not contracted by the State.
- One (1) instance in which Deputy Commissioner DL requested reimbursement of \$150 for a trip via taxi service without documentation of determination to use taxi service. Auditor was unable to determine if fee paid to taxi service was reasonable cost to the Agency.
- Agency disbursed \$35,640.30 from Regions Account held outside of State Treasury for reimbursements to DFA for employee issued travel advances. Agency was properly reimbursed from Agency personnel for only \$3,237.40 out of the \$35,640.30 expended resulting in \$32,402.90 in travel advancements to not be properly reimbursed by personnel that received a travel advance. Travel advances are required to be netted against approved travel expenses and any unused portion is required to be returned to the Agency.
- Two (2) instances in which travel expenses were reimbursed twice by the Agency. Travel expenses improperly reimbursed totaled \$519.15.

Failure to properly review travel expenditures could result in fraud, waste, and abuse of public funds.

**Recommendation:** We recommend the Mississippi Department of Corrections ensure compliance with state laws and rules and regulations set forth by the Mississippi Department of Finance and Administration over the reimbursement of travel expenditures. Additionally, we recommend former Commissioner PH and Parole Board Member BL immediately repay travel payments that were not authorized or allowed by state law.

**Agency Response:** MDOC acknowledges that guidelines for travel and support documentation from 2017 to 2019 were not in compliance with the Mississippi Department of Finance and Administration's travel guidelines. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** Yes.

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**Finding 5:** MDOC Should Strengthen Controls Over Purchasing to Ensure All Purchases are Necessary, Legal, and Reasonable.

**Applicable State Laws/Internal Control Principle:** *Section 47-5-1, Miss. Code Annon. (1972)* states, "It shall be the policy of this state that the correctional system shall be operated and managed in the most efficient and economical manner possible. The Mississippi Department of Corrections shall so manage and operate the correctional system in a manner in order to make the system self-sustaining and to conserve state general fund revenues."

**Finding Detail:** During review of purchases initiated by the Mississippi Department of Corrections, we noted the following excessive purchases:

- The agency made \$41,084.90 towards agency's staff wellness program. Agency was noted to purchase 20 massage chairs totaling \$17,545.25 for agency personnel meditation rooms. Agency also purchased 77 tables totaling \$5,535.61 for agency personnel meditation rooms. Agency also spent \$18,004.04 for miscellaneous purchases noting decorative lamps, rugs, art, signs, Himalayan salt lamps, boom boxes, cds, and other items. Former Commissioner PH justified these rooms at "stress reduction rooms." According to a press release dated September 27, 2018, "Commissioner Hall's vision is to allow each employee the opportunity to set aside a little time every day, while at work, for meditation."
- The agency provided a family wellness day to agency personnel during October 2018 with a total cost to the agency of \$2,448.48. Agency noted costs included \$350.00 for a bounce house, \$142.34 for various medals, \$693.95 for meals and \$1,262.19 for giveaway items such as mugs, candles, bubble wands, board games, etc.
- The agency also hosted commissioner awards and employee appreciation luncheons for a total cost to the agency of \$11,857.10. Agency paid \$5,465.08 in meal purchases, \$2,357.00 in decoration purchases, \$6,124.50 in gift card purchases, and \$1,917.98 in various gifts and awards.
- The agency also provided \$11,857.10 in meals for other various meetings held by agency. Meetings were noted as staff meetings, Thanksgiving luncheons, appreciation meals, and retirement parties. Personnel could not provide a business reason, an agenda, or a listing or personnel who attended to justify the costs.
- The agency also purchased \$734.83 worth of Christmas cards without providing appropriate documentation for reasonableness of purchase.
- The agency also purchased \$4,997.50 in furniture for SMCI's warden. Purchase included a king sized bed, dresser, and bedroom set.
- The agency also purchased \$43,299.00 in gym equipment for CMCF without providing appropriate documentation for reasonableness of purchase.
- The agency purchased \$306.00 worth of various items including a coffee maker, bathroom towel set holder and vanity bathroom mirror for the Commissioner's suit.
- The agency purchased a microwave, vacuum and motion sensor door chime for the executive suite totaling \$317.00.
- The agency also purchased 6 televisions for the executive suite totaling \$2,695.00.

**Recommendation:** We recommend the Mississippi Department of Corrections implement controls to ensure the agency manages and operates the correctional system in a manner in order to make the system self-sustaining and to conserve state general fund revenues.

**Agency Response:** MDOC concurs with the finding. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** No.

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**Finding 6:** MDOC Should Strengthen Controls Over Accounting System to Ensure Compliance with Laws and Regulations.

**Applicable State Laws/Internal Control Principle:** *Section 7-7-3, Miss. Code Ann. (1972)* establishes the Department of Finance and Administration (DFA) as the General Accounting Office for the State of Mississippi and authorizes the Department to prescribe the accounting system for state agencies. Additionally, it establishes that the Mississippi Management and Reporting System (MMRS) is responsible for an executive information system within state government to include a centralized automated accounting system, a centralized automated human resource/payroll system for state agencies and the automation of performance programmatic data and other data as needed by the legislative and executive branches to monitor the receipt and expenditure of funds in accordance with desired objectives.

*The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that reconciliations of accounting data be timely and detailed in order to ensure accuracy and reliability.

Effective control activities also dictate that the agency maintains a supported version of any accounting system used by the agency.

**Finding Detail:** During our review of the QuickBooks System operated by the Mississippi Department of Corrections during the period covering July 1, 2017 through December 31, 2019, we noted the following discrepancies:

- The agency does not have proper approval from MMRS to utilize QuickBooks as a separate accounting system independent of the statewide accounting system provided, MAGIC.
- The agency utilizes QuickBooks accounting software for funds received by MDOC as well as transfers made between funds. Auditor noted that MDOC does not reconcile amounts entered into QuickBooks accounting software until year-end GAAP adjustments are needed to report fiscal year end account balances in MAGIC. Agency's year-end GAAP adjustments were noted to be large transactions summarizing the detailed transactions input into QuickBooks. These large transactional journal entries do not contain sufficient detail to adequately describe and define the accounting transactions, and do not provide an adequate audit trail for the recording of assets and transactions.
- The agency is currently operating an unsupported version of QuickBooks. Agency is actively using QuickBooks Enterprise 2016 while QuickBooks operates on a three-year cycle. The agency should be operating QuickBooks 2018 at minimum for support from QuickBooks.
- The agency utilizes transactional print outs from Quickbooks as underlying support for accounting transactions; however, the Quickbooks print outs are simply a record of what was entered into the system, and does not include the justification for expenditures, or any auditable details sufficient to be considered underlying support.

Failure to obtain approval of accounting systems outside of MMRS provided MAGIC may result in transactions not being properly recorded in statewide accounting system, MAGIC, and not included in agency's fiscal year financials. It is also noted that failure to use supported software for sensitive data, such as transactions recorded on accounting systems, may result in lack of functionality and loss of protection measures. Noted failures may result in fraud, waste and abuse with public funds. Additionally, use of the Quickbooks system as an accounting system allowed personnel at MDOC to circumvent the established controls inherent in the MAGIC system. Many of the findings in this report could have been avoided if the agency had utilized the statewide accounting system rather than an "off the shelf" accounting software not designed for large, governmental agencies.

**Recommendation:** We recommend the Mississippi Department of Corrections ensure compliance with state laws and rules and regulations set forth by the Mississippi Department of Finance and Administration over accounting systems. Additionally, we recommend that any third party accounting systems utilized are properly reconciled on a monthly basis with detailed transactional journal entries rather than year end, lump sum entries.

**Agency Response:** MDOC concurs with the finding. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** Yes.

**Finding 7:** MDOC Should Strengthen Controls Over Restitution Accounting and Banking to Ensure Compliance with Laws and Regulations.

**Applicable State Laws/Internal Control Principle:** *Section 47-5-109.1, Miss. Code Ann. (1972)* states, “The Department of Corrections shall contract for the administration of inmate canteen services to a third party.”

*Section 99-37-19, Miss. Code Ann. (1972)* states, “...the Department of Corrections support the operation of, and have sole jurisdiction over and responsibility for offenders in, such restitution program.”

*The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate the agency maintain sufficient documentation to support transactions recorded in agency’s QuickBooks accounting system covering restitution transactions.

**Finding Detail:** While performing a review of the agency’s contract with Premier Supply Link, LLC, concerning operations of canteen services, auditors determined that the agency also gave authority to Supply Link, LLC for accounting and banking over restitution funds. The contract provided for review states the purpose is for the contractor to render canteen services statewide, which is allowed by *Section 47-5-109.1, Miss. Code Ann. (1972)*. Furthermore, exhibit A “Scope of Services” discusses that the contractor shall provide canteen services and the related banking at MDOC facilities, including the Restitution Centers. The agency has misinterpreted the purpose of this contract to include accounting and banking for restitution funds pertaining to restitution inmates due to the inclusion of “and related banking at MDOC facilities, including Restitution Centers.” The Office of State Auditor interprets related banking to cover only canteen services required banking and accounting. Per this interpretation, the contract between the agency and Premier Supply Link, LLC should not cover banking and accounting services for restitution funds. The agency transferred \$185,524.10 of restitution funds to Premier Supply Link, LLC on October 1, 2019. The agency additionally disbursed 23 checks totaling \$53,957.46 from agency’s restitution bank account directly to Premier Supply Link, LLC between the dates of October 10, 2019 through December 11, 2019.

When Premier Supply Link, LLC began the process of managing financial aspects of the Restitution Centers, MDOC had a balance of \$731,894 in the Restitution bank account for restitution payments. MDOC’s Accounting Director (JC) transferred \$185,524 from the restitution bank account to Premier for active restitution payments. Employees at Premier Link requested the Accounting Director send detailed payment records and bank statements to Premier so that they could accurately verify the individual’s restitution accounts. The Accounting Director was reluctant to send information to Premier, and repeatedly questioned why Premier needed the details. The Accounting Director initially did not know what the remaining balance in the account (\$185,524) was comprised of, and why the restitution account was carrying such a large balance if the active restitution only accounted for \$165,000.

Eventually, the Accounting Director transferred the remaining money from the restitution account to the following places:

Various Courts and County Clerks – Fines owed from prior restitutions -	\$218,424
Overpayments returned to 196 former restitution inmates -	75,627
Premier Link – mislabeled current restitution payments -	80,996
Payments for Medical expenses -	320

Transfer to MDOC for room and board expenses -	44,030
Transfers to MDOC for "close outs" with limited detail -	63,806
Transfers to MDOC for Supervision Fees for 9 inmates -	4,921
<u>Transfer to MDOC for unknown reasons -</u>	<u>4,534</u>
Total	\$492,658

On December 31, 2019 the balance in the account was \$309,793; however, these funds should all have been accounted for and transferred to Premier or other individuals for restitution payments.

Additionally, the agency was unable to provide sufficient support for restitution funds disbursed through payment requisitions initiated by restitution officers. The agency only provided transaction reports from agency's accounting system, QuickBooks, and applicable payment requisitions but did not provide how room and board charges were assessed, how accounts were determined closed and distributed to the inmate of the restitution center, and how amounts were determined collected in full before being distributed to appropriate circuit clerk. Auditor was unable to determine if amounts recorded in QuickBooks was indicative to amounts collected and charged by agency. As stated in the finding above, the print outs from Quickbooks merely show the way data was entered into the system, and does not contain details as to why the transaction was initiated or if the numbers entered are correct and accurate.

Furthermore, auditor noted that MDOC is not performing reconciliations or verifying that the amounts received per restitution inmate meet the requirements of the court orders for restitution. Inmate amounts are not monitored to ensure that either the inmate has repaid restitution in full and needs to cease working in the restitution center; or that the inmate has earned enough to satisfactorily discharge the court ordered restitution. In fact, auditors noted communication between the agency and a county circuit clerk informing the agency that fines requiring restitution had been overpaid \$1,345.20. The agency's QuickBooks accounting system showed the fine required was \$4,697.70, which was the amount disbursed by the agency, when \$3,352.50 was all that was required by court order. This resulted in the restitution inmate having to earn \$1,345.20 in excess of what was require while being a part of a restitution center.

Failure to obtain authority to contract statutorily required duties may result in an unqualified vendor performing duties that are outside of the scope of services they can perform. This could result in fraud, waste, and abuse of public funds.

Additionally, failure to accurately maintain records of restitution accounts may result in restitution inmates being charged in excess of public demands placed against them.

**Recommendation:** We recommend the Mississippi Department of Corrections strengthen controls over restitution accounting and banking to ensure compliance with laws and regulations.

**Agency Response:** MDOC concurs with the finding. MDOC maintains control over all banking for the restitution trust accounts. MDOC will ensure that all services provided by Premier Supply Link, LLC is in compliance with the agreed upon contract. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** No.

**Finding 8:** MDOC Should Strengthen Controls Over Bank Accounts to Ensure Compliance with Laws and Regulations

**Applicable State Laws/Internal Control Principle:** *Section 7-7-17, Miss. Code Ann. (1972)*, states "Reports shall be filed with the State Fiscal Officer at the time and in the manner prescribed by the State



Fiscal Officer by all state departments, institutions and agencies of all receipts of public funds, as defined in Section 7-7-1, which are not required by law to be deposited into the State Treasury but into banks bonded to be depositories of such funds, so that the State Fiscal Officer may keep comprehensive records and may make complete periodic reports concerning all public funds belonging to or for the use of the state and those agencies owned or controlled by the state.”

*Section 7-9-12, Miss. Code Ann. (1972)* allows agencies to request authorization from DFA and the State Treasurer to open a bank account to serve as a collection or clearing account. Each account established shall have a minimum and maximum balance to be fixed by the State Treasurer. All such accounts shall bear interest which shall be deposited in the General Fund. Maintaining excessive bank account balances could result in loss of revenue to the state. Failure to submit the Public Depositors Annual Report in a timely manner could result in the State Treasurer not having information necessary to determine proper collateralization.

*Section 47-5-77, Miss. Code Ann. (1972)* states, “The commissioner shall remit to the State Treasurer all moneys belonging to the correctional system received by him in accordance with the provisions of Section 7-9-21. All bills and accounts of said correctional system shall be paid from appropriations made by the Legislature upon sworn accounts and warrants drawn by the State Fiscal Management Board on the State Treasurer in the same manner as provided by general law. Each account shall be approved by the commissioner or, in the commissioner’s absence, by his designee.”

*Section 29.60.35, MAAPP Manual*, State Auditor will determine if legal compliance exists with respect to commercial bank account activity. After notification and a hearing, the State Auditor may levy a civil penalty in an amount not to exceed \$1,000 for each violation.

Additionally, *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that the agency maintains sufficient accounting documentation for all bank accounts authorized by DFA. Bank Reconciliations in particular are vital to ensuring that the correct amount of cash is stated in the account and that the account matches the checkbook balance. When reconciliations are performed documentation to reference bank and book balance should be available to validate the reconciliation.

Effective control activities also dictate checks to be serially numbered, maintained in a secure location, and limit access to only employees authorized to write checks. Furthermore, a check log should be maintained to limit large breaks within the sequence of check numbers for the bank accounts.

**Finding Detail:** During our review of 7 bank accounts held outside of State Treasury and transactions from selected bank accounts at the Mississippi Department of Corrections we noted the following discrepancies:

- Three (3) accounts where agency failed to comply with the maximum allowed bank balance as approved by DFA and the State Treasurer. The bank accounts noted maintained month ending balances that were excessively over authorized maximum limits. See listing of excessive balances below:
  - The Regions Operating Account has an approved maximum allowed balance of \$80,000. The operating account maintained balances in excess of allowed maximum account balances for 29 out of 30 months examined. Auditor noted maximum balance for account was \$7,326,833.41. Average balance over noted period for account was \$1,017,702.55.

- The Trustmark Supervision Account has an approved maximum allowed balance of \$75,000. The supervision account maintained balances in excess of allowed maximum account balances for 30 out of 30 months examined. Auditor noted maximum balance for account was \$1,811,385.91. Average balance over noted period for account was \$1,319,885.12.
- The Trustmark Restitution Account has an approved maximum balance of \$500,000. The supervision account maintained balances in excess of allowed maximum account balances for 27 out of 30 months examined. Auditor noted maximum balance for account was \$908,178.20. Average balance over noted period for account was \$750,916.24.
- The agency failed to transfer \$2,240 of interest earned from bank accounts held outside of State Treasury.
- The agency submitted required Public Depositors Annual Report for fiscal year 2018 to Treasury 45 days after the due date.
- The agency did not disclose public funds held by a third-party organization for MDOC on 2018 and 2019 fiscal years' Public Depositor Annual Report submitted to Treasury. The total account balances for the two accounts held by third-party organizations for MDOC totaled \$1,919,084 and \$1,899,566 for 2018 and 2019 fiscal years, respectively.
- The agency was noted to have no support for 1,398 checks missing from agency's supervision account. Checks are not being properly maintained to ensure no unauthorized access to agency's manual checks.
- Reconciliations for three bank accounts were noted to not have support for agency month ending book balance. Auditor was unable to compare reconciled month end balance to agency records due to lack of support.
- Agency failed to perform monthly reconciliations for one bank account for 2018 and 2019 fiscal years.
- Three (3) bank accounts held by agency were noted to not be operated in manner required per the Reauthorization of Agency Bank Accounts form submitted to the Department of Finance and Administration and Treasury. Two accounts noted as collections accounts disbursed \$7,235,012.29 through 4,806 checks to sources other than Treasury. Twenty-nine checks, out of the 4,806, were noted to be transfers to other accounts held outside of Treasury by MDOC for a total of \$104,676.00 in transfers. One account noted as a clearing account disbursed \$220,585.39 through 327 checks to sources other than Treasury.
- Fifteen (15) instances where checks from the clearing account were used for purchasing \$17,881 of commodity items consisting of food gift cards, decorations, electronics for MDOC employee luncheons. Ten out of the fifteen instances noted were reimbursements approved by MDOC Accounting Director. Further, the documentation provided for the commodity purchases did not include purchase requests or purchase orders to support these disbursements were for a legitimate business purpose.
- Five (5) instances in which the agency did not provide proper documentation to support the checks written for payment of resident's fees from Trustmark's Restitution Account
- Four (4) instances in which checks totaling \$4,728 were written from the operating account for travel or payroll expenditures. Agency did not provide adequate documentation to support these transactions were properly recorded in the Statewide Payroll and Human Resource System (SPAHRs) and MAGIC.

Maintaining excessive bank account balances could result in loss of revenue to the state. Failure to submit the Public Depositors Annual Report in a timely manner could result in the State Treasurer not having information necessary to determine proper collateralization. In addition, failure to deposit funds received timely to Treasury could result in fraud, waste, and abuse of public funds deposited into agency bank accounts.

**Recommendation:** We recommend the Mississippi Department of Corrections ensure compliance with state laws and rules and regulations set forth by the Mississippi Department of Finance and Administration over bank accounts.

**Agency Response:** MDOC concurs with the finding and will ensure that all account balances will stay under the authorized limits. Also, all bank accounts will be listed on the Public Depositor's Annual Report. The agency has established procedures to ensure all bank accounts are reconciled the following month, and no operation expenditures are expensed from the clearing account. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** Yes.

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**Finding 9:** MDOC Should Strengthen Controls to Ensure Compliance with State Laws and Regulations over Procurement Cards.

**Applicable State Laws/Internal Control Principle:** *Section 27-65-105(a), Miss. Code Ann. (1972)* states, "The exemption from the provisions of this chapter which are of a governmental nature or which are more properly classified as governmental exemptions than any other exemption classification... The tax levied by this chapter shall not apply to the following: sales of property, labor, services or products taxable under Sections 27-65-17, 27-65-19, 27-65-23 and 27-19-26, when sold to and billed directly to and payment therefore is made directly by the United States government, the State of Mississippi and its departments, institutions, counties and municipalities or departments or school districts of said counties and municipalities."

*Section 10.112.01 of the Mississippi Procurement Manual* states, "Balances on credit cards shall be paid at the receipt of the monthly statement, once the statement has been reconciled for accuracy. Balances on credit cards shall not be carried over to the next month except on disputed claims and only for the disputed amount. Any amounts due on credit cards shall incur interest charges as set forth in Section 31-7-305, Mississippi Code of 1972, Annotated, which only allows for an interest rate of 1 ½% per month to be applied to any unpaid balance not paid within 45 days."

Rules established by *State of Mississippi's Office of Purchasing and Travel State Procurement Card Guidelines* set out the following requirements:

- *Section I*, "Agencies are required to; have operating procedures and designated personnel to manage the program; comply with state purchasing requirements; and adopt own expenditure limits and purchase restrictions."
- *Section I(A)*, "The program coordinator will identify cardholders authorized to purchase on behalf of the State of Mississippi and will establish written internal procedures consistent with the State of Mississippi Procurement Card Guidelines...Ensure cardholder transaction logs and information are complete and accurate. Ensure cardholders have receipts/invoices for purchases made; if no receipt/invoice, the program coordinator should have cardholder complete Procurement Card Missing Document Affidavit Form."
- *Section I(B)(2)*, "It is required that the agency maintain a file with the statements and all applicable receipts and dispute documents."
- *Section I(C)*, "Agencies should establish controls and limitations for the use of the procurement card. Agencies should make sure that policies and procedures are established, set projected expenditures, and pre-set limitations for each procurement card that is issued based on individual

agency needs.”

- *Section II*, “In order to obtain a Procurement Card an employee must complete the Cardholder Application/Agreement found on the Office of Purchasing and Travel website. The application must be filled out completely and signed by the Cardholder, as well as, the Program Coordinator.”
- *Section II(B)*, “The Cardholder(s) shall: Assure that the item(s) purchased are required for official government purposes.”
- *Section III*, “There is a single transaction limit of \$5,000 on all State of Mississippi Procurement Cards.”
- *Section IV*, “The purchase of food must serve a legitimate business purpose.”
- *Section IV*, “ALL food purchases on the Procurement Card require an “Office of Purchasing and Travel Food Purchase Form,” to be completed. If food is purchased for a business meeting or an event, the MEETING/EVENT box should be checked and the remainder of the form completed. If the food is purchased for a meeting, attach the meeting’s agenda to the back of the form. If the food is purchased for the agency rather than for a business meeting or an event (i.e. bulk food), check the BULK FOOD PURCHASE box and complete only the “Purpose” section of the form. This form is located on the Office of Purchasing and Travel website.”
- *Section IX*, “A Sign-In/Sign-Out form is used when you have a department card in your agency that is checked out periodically by several users. Each agency with this type of card should develop procedures for handling of such card.”
- *Section XV*, “All records, including a copy of the master statement and original individual statements, logs, etc., related to the program must be maintained at the agency and available upon request for audit purposes.”
- *Section XV(B)*, “In accordance with Section 10.112.01, Mississippi Procurement Manual, balances on credit cards shall be paid at the receipt of the monthly statement, once statements have been reconciled for accuracy. Balances on credit cards shall not be carried over to the next month except on disputed claims and only for the disputed amounts.

**Finding Detail:** During our review of procurement card purchases for the Mississippi Department of Corrections we noted the following:

- The agency had no written/formal policy and procedures in place over procurement card purchases, as required by the *State Procurement Card Guidelines*.
- The agency did not maintain adequate supporting documentation for procurement cards.
  - Eighteen (18) instances out of thirty (30) months in which master statements for the Corrections Investigation Division (CID) Account were not provided.
  - Three (3) instances out of thirty (30) months in which master statements for the Control Account were not provided.
  - During inquiry with agency, supporting documentation of the control account procurement card purchases held by the accounting division for fiscal year 2018 was burned or misplaced during the move to the new office location at 301 N. Lamar St, Jackson, MS 39201.
  - Forty-three (43) instances for the period July 1, 2018 to December 31, 2019 in which supporting documentation was not provided.

- The agency's sign-in/sign-out log used does not contain all information required per DFA's sign-in/sign-out form. Auditor noted the agency's log did not require the vendor or description of purchase information. In addition, auditor noted multiple instances in which the sign-in time was not recorded.
- One hundred sixty-one (161) instances, totaling \$28,359.89, in which the Office of Purchasing and Travel Food Purchase Form was not submitted or completed in its entirety.
- Twenty (20) instances in which sales tax was paid on procurement card transactions totaling \$259.67.
- Fourteen (14) instances in which payments for the procurement card balance were not paid timely.
- Procurement Card Purchase Setup Forms and the Cardholder Agreements for the CID procurement cards were pre-signed by MDOC's Procurement Card Program Coordinator on August 25, 2015.
- Sixty-one (61) instances, totaling \$12,804.86, in which purchases did not appear to have a legitimate business purpose.
  - Twenty-six (26) instances, totaling \$6,014.58, in which expenditures were related to Commissioner Award Ceremonies, Thanksgiving meals for MDOC personnel, employee appreciation meals.
  - Thirty-five (35) instances, totaling \$6,790.10, in which expenditures were related to food and supplies for MDOC personnel.
- One (1) instance in which a split purchase was made to circumvent a single transaction limit of \$5,000. Auditor noted the purchase of two massage chairs totaling \$1,999.98 and the purchase of five massage chairs totaling \$4,999.95 was made on the same day from the same vendor.

**Recommendation:** We recommend the Mississippi Department of Corrections strengthen controls over procurement card to ensure compliance with state law and the regulations

**Agency Response:** MDOC concurs with the finding and will continue to ensure compliance with all guidelines set forth by the Mississippi's Office of Purchasing and Travel State Procurement Card Guidelines. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** Yes.

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**Finding 10:** Agency Should Strengthen Controls to Ensure Compliance with State Law over Cash Receipts

**Applicable State Laws/Internal Control Principle:** *Section 7-9-21, Miss. Code Ann. (1972)* states, public funds shall be deposited in the State Treasury by the end of the next business day following the day that such funds are collected.

*Section 47-5-110.1, Miss. Code Ann. (1972)* states, "Whenever an offender in the custody of the Department of Corrections is transferred, upon request, from one (1) facility to another, the offender must pay to the department an amount equal to Forty Cents (\$.40) per mile for each mile traveled from the transferor facility to the transferee facility or Twenty-five Dollars (\$25.00), whichever is greater, to cover the costs of the transfer."

*Mississippi Department of Corrections (MDOC) Offender Transfer Request Policy* states, "MDOC will allow offenders who meet the criterion to petition the agency for a transfer request. Upon approval, offenders will be required to pay MDOC a transfer fee equal to the current mileage rate established by the Mississippi Department of Finance and Administration per mile for each mile traveled from the transferor

facility to the transferee facility or twenty-five dollars (\$25), whichever is greater, to cover the costs of the transfer.”

*Mississippi Department of Corrections Policy, Offender Master Files - Public Record Requests* states, the charges for copying records are as follows: 8 ½ x 11 - \$.25 per page, 8 ½ x 14 - \$.35 per page, and for time expended is \$10.00 per hour.

**Finding Detail:** During our review of cash receipts at the Mississippi Department of Corrections, the auditor selected thirty (30) deposits and noted the following:

- Sixteen (16) instances, or 53 percent, in which receipts were not deposited into MDOC’s bank accounts timely. The range of time from receipt at the agency until deposit into the bank ranged from 3 to 35 days.
- Thirty (30) instances, or 100 percent, in which receipts were not deposited into State Treasury timely. The range of time from deposit into the bank until deposit to State Treasury ranged from 4 to 243 days.
- Twenty-eight (28), or 93 percent, in which source documentation detailing amounts included in the total amount deposited was not provided.
- Two (2) instances, or 7 percent, in which cash receipts logs and documentation were not available to support when the payments were received. Therefore, auditor was unable to verify if the receipts were deposited in a timely manner.
- Fifteen (15) instances, or 50 percent, in which an authorized fee schedule, policies, rules, or regulations was not provided to support all fees charged and significant revenue collected by the agency. Also, supporting documentation did not include a breakdown of the fees assessed and/ or applications associated with payments received. Therefore, auditor was unable to determine if fees collected were in compliance with state law.
- MDOC’s Offender Transfer Request Policy is not in compliance with Section 47-5-110.1, Miss. Code Ann. (1972). MDOC’s policy requires the fees to be assessed using the Department of Finance and Administration’s mileage reimbursement rate instead of the \$0.40 per mile stated in MS Code. Further, the mileage rate used by MDOC was not in compliance with their policy or the state law.
- The Agency assessed fee of copying records at \$.15 per page instead of the required MDOC’s rate of \$0.25 per page.

Without maintaining adequate supporting documentation, there is no clear audit trail to ensure the accuracy of charges of service and cash receipts.

Failure to make timely transfers to the State Treasury may result in the loss of investment earnings and increases the risk of theft and/or misplacements of funds while held at the agency level.

**Recommendation:** We recommend the Mississippi Department of Corrections strengthen controls related to the maintenance of source documentation for all cash receipts and make timely deposits in order to comply with applicable state laws. In addition, we recommend the Mississippi Department of Corrections follow state laws and agency policies regarding assessed fees.

**Agency Response:** MDOC concurs with the finding and has implemented procedures to ensure adequate supporting documentation is maintained for all cash receipts. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** Yes.

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**Finding 11:** Agency Should Strengthen Controls Over Contractual Expenditures to Ensure Compliance with Laws and Regulations

**Applicable State Laws/Internal Control Principle:** *Section 7-7-23, Miss. Code Ann. (1972)* states in part, "Purchases of equipment, supplies, materials or services of whatever kind or nature for any department, officer, institution or other agency of the state, the cost of which is to be paid from funds in the State Treasury on State Fiscal Officer disbursement warrants, may be made only by written purchase orders duly signed by the official authorized so to do, on forms prescribed by the State Fiscal Officer." In addition, "It shall be the duty of the proper official in each department or agency to forward the copy of each purchase order to the State Fiscal Officer on the same day the said order is issued."

*Section 31-7-303, Miss. Ann. Code (1972)*, states in part, "the requisition for payment of an invoice submitted to a public body and required by law to be filed with the State Fiscal Management Board shall be filed with the State Fiscal Management Board not later than thirty (30) days after receipt of the invoice and receipt, inspection and approval of the goods and services." In addition, *Section 31-7-305(1)*, states, "all public bodies of the state, including those which issue checks and those which file requisitions for payment with the State Fiscal Management Board, shall keep a record of the date of receipt of the invoice, dates of receipt, inspection and approval of the goods and services, date of issuing the check or date of filing the requisition for payment, as the case may be, and the date of mailing or otherwise delivering the warrant or check in payment."

*Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 08.30.10*, states "Purchase Orders should be created for all items with a contract, even if the items do not require a PO. This will allow for posting of the final invoice payment after the contract has expired. If the contract expires before the final payment, and no PO has been created, then direct invoices cannot be created against the contract."

**Finding Detail:** During our review of 75 contractual expenditures at the Mississippi Department of Corrections, we noted the following discrepancies:

- Thirty-six (36) instances, or 48 percent, in which Agency did not issue a purchase order for a contractual purchase. Agency incorrectly determined that contracts remove the requirement to issue a purchase order covering purchases from contracted vendors. Contractual purchases without purchase orders totaled \$14,387,463.44. Utilizing purchase orders is a requirement in the MAAPP Manual and also serves as a control in MAGIC to ensure contracts are not overpaid.
- Eight (8) instances, or 11 percent, in which payments were not made within 30 days after receipt of the invoice. Late payments ranged from 3 days to 63 days late.
- Five (5) instances in which Agency was unable to provide a contract for transactions selected for review.
- Two (2) instances, or 3 percent, in which Agency did not record receipt of goods and services with the State wide accounting system MAGIC. Payment should not have been issued until receipt is noted within MAGIC. Purchases not denoted as received in MAGIC totaled \$2,652.
- Ten (10) instances, or 13 percent, in which purchases greater than \$5,000 but less than \$50,000 did not have the minimum required two (2) competitive bids. Agency did not have support documenting the lowest and best bid for purchases was accepted. Purchases made without required competitive bids totaled \$160,797.47.
- Three (3) instances, or 4 percent, in which Agency did not provide appropriate support to determine reasonableness of transaction. For two of the instances, Agency paid \$30,000 for postage without proper invoice as Agency only maintained purchase requisition form for amount paid. Agency recorded a catfish luncheon as a professional service and the required food purchase form labelled the meal inappropriately as breakfast. The Agency paid \$343.35 for the luncheon for a graduation ceremony.

Failure to create and approve a purchase order prior to the date the goods and services are received impedes the ability of the agency and the Department of Finance and Administration to maintain budgetary control over the agency's expenditures.

Failure to submit payment requests within 30 days of the receipt of the invoice and receipt, inspection and approval of goods and services could result in additional expenses being incurred by the agency through finance charges.

**Recommendation:** We recommend the Mississippi Department of Corrections ensure compliance with state laws and rules and regulations set forth by the Mississippi Department of Finance and Administration over contractual expenditures.

**Agency Response:** MDOC concurs with the finding. However, MDOC provided documentation for the five instances where the contract selected could not be provided. Please see the attached Corrective Action Plan for more information.

**Auditor's Note:** The information provided to OSA was not sufficient to remove the finding.

**Repeat Finding:** Yes.

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**Finding 12:** Agency Should Strengthen Controls Over Commodity Expenditures to Ensure Compliance with Laws and Regulations

**Applicable State Laws/Internal Control Principle:** *Section 7-7-23, Miss. Code Ann. (1972)* states in part, "Purchases of equipment, supplies, materials or services of whatever kind or nature for any department, officer, institution or other agency of the state, the cost of which is to be paid from funds in the State Treasury on State Fiscal Officer disbursement warrants, may be made only by written purchase orders duly signed by the official authorized so to do, on forms prescribed by the State Fiscal Officer." In addition, "It shall be the duty of the proper official in each department or agency to forward the copy of each purchase order to the State Fiscal Officer on the same day the said order is issued."

*Section 31-7-303, Miss. Ann. Code (1972)*, states in part, "the requisition for payment of an invoice submitted to a public body and required by law to be filed with the State Fiscal Management Board shall be filed with the State Fiscal Management Board not later than thirty (30) days after receipt of the invoice and receipt, inspection and approval of the goods and services." In addition, *Section 31-7-305(1)*, states, "all public bodies of the state, including those which issue checks and those which file requisitions for payment with the State Fiscal Management Board, shall keep a record of the date of receipt of the invoice, dates of receipt, inspection and approval of the goods and services, date of issuing the check or date of filing the requisition for payment, as the case may be, and the date of mailing or otherwise delivering the warrant or check in payment."

*Section 31-7-13 (b), Miss Code Ann. (1972)* requires that "purchases which involve an expenditure of more than five thousand dollars (\$ 5,000.00) but not more than Fifty thousand dollars (\$ 50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained."

In addition, the *State Procurement Manual*, *Section 10.107.03* requires that "all open purchase orders for \$5,000 or less must have the following either included on the PO or attached:

- (1) A brief justification of the need for an open purchase order in lieu of normal P.O. procedures.



(2) In the case of a rental which requires P-1 approval, the P.O. must include the appropriate P-1 approval number.

(3) A general description of the commodities/services and the maximum amount per invoice.

(4) The following certification: "This is to certify that only the commodities/services shown will be purchased and that no items currently covered by any state contract will be purchased under the terms of this purchase order without proper approval from the Office of Purchasing, Travel and Fleet Management. This procedure will not be used to separate purchases so as to circumvent any laws, regulations or policies of the State of Mississippi."

*Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 08.20.10*, states "the Three-Way Match is used to match the quantity received and the price paid between the PO, the goods receipt (GR), and the invoice receipt (IR)."

*The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate reconciliation of amounts paid through MAGIC paymode warrants agree to amounts denoted on invoices of received goods.

**Finding Detail:** During our review of 45 commodity expenditures at the Mississippi Department of Corrections during the period covering July 1, 2017 through December 31, 2019, we noted the following discrepancies:

- Nine (9) instances, or 20 percent, in which purchase orders were initiated subsequent to the date of purchase for goods and services. Agency was noted to be on average fifty-one (51) days delinquent of issuing purchase orders.
- One (1) instance, or 2 percent, in which a purchase order was not completed for a purchase totaled \$11,913.82.
- Nineteen (19) instances, or 42 percent, in which Agency could not provide proof of receipt of goods and services. Payments made by Agency without maintaining appropriate documentation of receipt totaled \$212,144.53.
- Two (2) instances, or 4 percent, in which Agency did not record receipt of goods and services with the State wide accounting system MAGIC. Payment should not have been issued until receipt is noted within MAGIC. Purchases not denoted as received in MAGIC totaled \$2,652.
- Ten (10) instances, or 22 percent, in which purchases greater than \$5,000 but less than \$50,000 did not have the minimum required two (2) competitive bids. Agency did not have support documenting the lowest and best bid for purchases was accepted. Purchases made without required competitive bids totaled \$160,797.47.
- Three (3) instances, or 7 percent, in which Agency created an open purchase order without providing justification of the open purchase, a description of what is to be purchased with maximum amount per invoice, and the required certification that items covered under state contracts will not be purchased through the open purchase order. These purchases totaled \$3,781.69.
- One (1) instance, or 2 percent, in which Agency inaccurately recorded purchase with a valuation of \$2,017.50 whereas received invoice denoted purchase amount was \$1,545.90. The error created an inflation of \$471.60 in the valuation of goods purchased.

Failure to create and approve a purchase order prior to the date the goods and services are received impedes the ability of the agency and the Department of Finance and Administration to maintain budgetary control over the agency's expenditures.

Failure to submit payment requests within 30 days of the receipt of the invoice and receipt, inspection and approval of goods and services could result in additional expenses being incurred by the agency through finance charges.

**Recommendation:** We recommend the Mississippi Department of Corrections ensure compliance with state laws and rules and regulations set forth by the Mississippi Department of Finance and Administration over commodity expenditures.

**Agency Response:** MDOC concurs with the finding. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** Yes.

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**Finding 13:** Agency Should Strengthen Controls to Ensure Compliance with State Laws and Regulations over Fringe Benefits.

**Applicable State Laws/Internal Control Principle:** *Section 25-1-79, Miss. Code Ann. (1972)* states, "It shall be unlawful for any officer, employee or other person whatsoever to use or permit or authorize the use of any automobile or any other motor vehicle owned by the State of Mississippi or any department, agency or institution thereof for any purpose other than upon the official business of the State of Mississippi or any agency, department or institution thereof."

*Section 20.20.30 of the Mississippi Agency Accounting Policies and Procedures Manual (MAAPP)* states, "Certain types of state owned vehicles used by the employee for personal use or commuting to and from work can constitute a taxable benefit to the employee....The value of employer-provided vehicles used by state employees for commuting and personal use must be included in social security, federal and state income tax and retirement wage bases."

*Section 20.20.30 of the Mississippi Agency Accounting Policies and Procedures Manual (MAAPP)* states, "One of four rules determines the value of the vehicle: General Valuation, Cents-Per-Mile, Commuting or Lease Value. These rules are described in detail (when the rule can be used, how to calculate the benefit, what is included/excluded, etc.) in *IRS Publication 15-B Employer's Tax Guide to Fringe Benefits*. Once the benefit is calculated, it must be added to the employee's annual gross wages. The VEHIC earnings code is entered using the daily-calculated dollar amount on days for which the employee took the state vehicle home."

*IRS Publication 15-B Employer's Tax Guide to Fringe Benefits*, calculate the annual lease value of an automobile by multiplying the annual lease value by the percentage of personal miles out of total miles driven by the employee.

Rules established by the Department of Finance and Administration's (DFA) Office of Purchasing, Travel & Fleet Management's (OPTFM) *Fleet Manual Rules & Regulations* set out the following requirements:

- *Section 2.104*, "The Bureau of Fleet Management (BLM) shall require all agencies to provide necessary information for the BFM to properly monitor the size, use, assignment, maintenance and disposal of the State's fleet of vehicles. Each agency shall be responsible for entering and maintaining accurate data monthly about each motor vehicle that it owns, operates, or otherwise controls into the State of Mississippi Fleet/Asset reporting system. The BFM shall provide each agency with program access, system reports, user manuals, help-desk access, and user training necessary to maintain and operate the State fleet/asset reporting system to track state-owned vehicles. All "tagged" state-owned vehicles shall be tracked in the fleet/asset reporting system.

The system will also track betterments added to state-owned vehicles. Fleet/asset reporting system is required to be used by all state agencies.”

- *Section 4.101.02*, “A daily log of all trips must be recorded for each state-owned vehicle. Each daily trip log shall contain: the operator of the vehicle, date of vehicle use, beginning and ending odometer reading, total miles traveled, purpose of each trip, and the business locations visited each day. ...Agencies must maintain all daily log files for each agency’s vehicle for at least three years.”
- *Section 4.102*, “An authorized user should not engage in any activity that would violate the obligation of trust given with the privilege of operating a state-owned vehicle. Inappropriate activities or misuse include but are not limited to: ... Using the vehicle for personal use outside of the employees’ scope of employment; Failure to maintain accurate daily trip log.”
- *Section 4.103.02*, “Commute assignment is defined as a state-owned vehicle assigned to be driven from an employee’s official duty station or other temporary place of work to an employee’s residence as needed. A commute assignment is only authorized when it is the most cost effective or practical alternative. State-owned vehicles may not be used in a commuting capacity solely by virtue of an authorized user’s job title or position. A commute vehicle cannot be part of a compensation or administrative package. Before any commuting assignment is made, an agency must clearly demonstrate to the BFM that providing the user a vehicle would be a cost savings to the agency and the State. Agencies must complete Appendix D (Commuting Authorization Request Form), the VR-1 Form and the Commuter Mileage Calculator and electronically transmit a copy of each to the BFM.”

**Finding Detail:** During our review of fringe benefits for the Mississippi Department of Corrections we noted the following:

- MDOC is not properly using the State of Mississippi Fleet/Asset Reporting System. MDOC was unable to provide auditors with accurate commuter vehicle listings for the entire audit period. Additionally, the commuter vehicle listings provided by MDOC were not updated in a timely manner.
  - MDOC was unable to provide auditors with commuter vehicle listings dated prior to June 29, 2018.
  - One (1) instance in which an employee was assigned a commuter vehicle during the audit period, but he was not listed on any commuter vehicle listings provided.
  - One (1) instance in which a retired employee was listed on the commuter vehicle listing three (3) months after retirement.
- Seven (7) instances in which an employee was assigned a commuter vehicle, but the value of the fringe benefit was not included in the employee’s gross wages.
- One (1) instance in which MDOC provided a commuter vehicle to an employee of another state agency and failed to notify the state agency. Therefore, the value of the fringe benefit was not included in the employee’s gross wages.
- Twenty-one (21) instances in which an employee was assigned commuter status, but the value of the fringe benefit that was included in the employee’s gross wages was not calculated correctly. MDOC uses the Lease Value Rule to determine the value of the fringe benefit. MDOC is not using the actual personal miles and total miles driven each pay period to calculate the percentage of personal miles out of total miles driven, as required by *IRS Publication 15-B*. Instead, MDOC uses the same percentage every pay period (calculated when the vehicle is first assigned). Additionally, use of the Lease Value Rule implies that the vehicles are available for employees’ personal use.
- Twenty-eight (28) instances in which the selected employee did not complete a daily trip log for the month tested.

- Twenty-six (26) instances in which MDOC did not submit Appendix D (Commuting Authorization Request Form), the VR-1 Form, and the Commuter Mileage Calculator to Bureau of Fleet Management (BFM). Therefore, the commuter assignment was not authorized by BFM.

Failure to maintain complete vehicle logs could result in the improper calculation of fringe benefits, state-owned vehicles being used improperly, or excess damages or maintenance costs for vehicles. Failure to record fringe benefits received by employees may result in understating employees' benefits received through use of the agency's vehicles for commuting to and from work. Additionally, not recording benefit of use of the agency's vehicles could result in waste and abuse of the agency's assets by not tracking employee use of assigned vehicles.

**Recommendation:** We recommend the Mississippi Department of Corrections strengthen controls over fringe benefits to ensure compliance with state law and the regulations set forth by the Mississippi Department of Finance and Administration.

**Agency Response:** MDOC concurs with the finding and has implemented procedures to ensure compliance with guidelines set forth by DFA. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** Yes.

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## SIGNIFICANT DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 14:** MDOC Should Strengthen Controls Over Fuel Purchases to Ensure Compliance with Laws and Regulations

**Applicable State Laws/Internal Control Principle:** *Section 25-59-19, Miss. Code Ann. (1972)* states, "Except as otherwise provided in Section 25-61-11.2, all records created or received in the performance of public duty and paid for by public funds are deemed to be public property and shall constitute a record of public acts."

*Section 25-59-23, Miss. Code Ann. (1972)* states, "The theft, or deliberate alienation, alteration or destruction of records by any person or persons in a manner not authorized by an applicable records control schedule, or the unlawful divulging of restricted information under this chapter shall constitute a misdemeanor, punishable by a fine of not less than five hundred dollars (\$500.00) and not greater than one thousand dollars (\$1,000.00)."

DFA Fleet Management's *Fleet Manual, Section 6.102* states, "Gasoline purchase shall be obtained using the state-approved fuel access cards from vendor facilities that accept the state-approved Fuel Access Cards. Only regular unleaded gasoline or diesel from self-service pumps should be used. No higher-octane gas is to be purchased. Each vehicle shall be issued a state-approved Fuel Access Card that must remain in the vehicle at all time. Employees who are assigned vehicles, shall be issued a personal identification number (PIN) that is to be kept separate from the card. When using this card, always key in the current exact odometer reading."

**Finding Detail:** During our review of 25 fuel expenditures at the Mississippi Department of Corrections, we noted the following discrepancies:

- Twenty-four (24) instances in which Agency personnel purchased higher-octane fuel consisting of unleaded plus, premium and E85 gasoline. Premium fuel purchases totaled \$5,064.43.

- Ten (10) instances in which Agency was unable to provide Fuelman statements as Agency accidentally destroyed statements supporting purchases. Auditor was unable to determine if exception codes regarding inputted vehicle mileage, miles per gallon reported for fuel usage, and any possible inappropriate purchases were appropriately reviewed by Agency.

Failure to review and ensure fuel purchases are for only approved octane ratings could result in excessive higher-octane fuel purchases. In addition, agency not maintaining statements of past fuel purchases could result in agency disbursing payment for unallowable fuel purchases.

**Recommendation:** We recommend the Mississippi Department of Corrections ensure compliance with state laws and rules and regulations set forth by the Mississippi Department of Finance and Administration over fuel expenditures.

**Agency Response:** MDOC concurs with the finding. However, MDOC provided documentation for the five instances where the contract selected could not be provided. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** No.

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## OTHER CONTROL DEFICIENCIES

**Finding 15:** Agency Should Strengthen Controls over Employee Insurance.

**Applicable State Laws/Internal Control Principle:** *Section 20.10.10 of the Mississippi Agency Accounting Policies and Procedures Manual (MAAPP)* states, “The agency maintains documentation authorizing deductions from gross pay. Examples of deductions include taxes, retirement, insurance premiums, and debt deductions.”

**Finding Detail:** During our review of twenty-five (25) employee insurance records at the Mississippi Department of Corrections (MDOC) for the period July 1, 2017 to December 31, 2019, we noted five (5) instances, or 20 percent, in which the State and School Employees’ Health Insurance Plan Application for Coverage and the Life Insurance Plan Enrollment/Change Request Form was not on file for the selected employees.

Failure to maintain proper and complete health insurance documentation may result in discrepancies between coverage selected on health insurance application for coverage form, amounts billed on billing statement, and amounts deducted on employee’s payroll.

**Recommendation:** We recommend the Mississippi Department of Corrections strengthen controls over health insurance documentation to ensure all forms are maintained by the agency and are properly completed.

**Agency Response:** MDOC acknowledges that there were five instances in which the State and School Employee’s Health Insurance Plan Application for Coverage and the Life Insurance Plan Enrollment/Change Request Form was not on file for the selected employees. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** No.

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**Finding 16:** Agency Should Strengthen Controls over Capital Assets

**Applicable State Laws/Internal Control Principle:** *Section 31-7-305, Miss. Code Ann (1972)*, states that all public bodies of the state shall keep a record of the date of receipt of the invoice and dates of receipt, inspection, and approval of the goods or services. Failure to document the date of receipt of goods and/or services could allow the agency to pay for goods and services not yet received.

*Section 29-9-13, Miss. Code Ann (1972)*, requires auditors to reconcile invoices and records with the agencies' property inventories and to make a check or physical audit of the actual items or properties shown on the agency's inventories and related records. Failure to keep documentation to support assets purchased hinders the agency in being able to properly value the asset and record the assets in agency records.

*Section 25-59-15(c), Miss. Code Ann. (1972)* states, it shall be the duty of each state agency and each appointed or elected state official to: Cause to be made and preserved records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency or office and designed to furnish the information necessary to protect the legal and financial rights of the government and of the persons directly affected by the agency's activities.

**Finding Detail:** During our review of capital assets thirty (30) asset additions and thirty (30) asset deletions, we noted the following:

- Sixteen (16) instances in which agency did not provide supporting documentation for \$72,241.15 worth of capital asset additions.
- Nineteen (19) instances in which agency did not provide supporting documentation for \$83,485.66 worth of capital asset deletions.
- Three (3) instances in which capital assets were removed from inventory without proper approval. Unapproved deletions totaled \$1,735.99.

Failure to maintain supporting documentation could result in misappropriation of assets.

**Recommendation:** We recommend the Mississippi Department of Corrections strengthen controls over capital assets to ensure proper documentation is maintained in accordance with state law and regulations regarding capital asset additions and deletions.

**Agency Response:** MDOC concurs with the finding and has provided the auditor with additional information. In addition, MDOC is in the process of completing a full in-house audit of all assets. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** Yes.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 17:** Agency Should Ensure Compliance with State Laws Over Personal, Medical, Compensatory, and Donated Leave to Ensure Compliance with Laws and Regulations.

**Applicable State Laws/Internal Control Principle:** *Section 25-3-95(2a), Miss. Code Ann. (1972)* states, "Major medical leave may be used for the illness or injury of an employee or member of the employee's immediate family as defined in subsection (3) of this section, only after the employee has used one (1) day of accrued personal or compensatory leave for each absence due to illness, or leave without pay if the employee has no accrued personal or compensatory leave; provided that faculty members

employed by the eight (8) public universities on a nine-month basis may use major medical leave for the first day of absence due to illness.”

*Section 25-3-97(1) Miss. Code Ann. (1972)* states, “All organizations shall keep accurate records of the leave accumulated and used by the officers and employees thereof.”

**Finding Detail:** During our review of personal, medical, and compensatory leave at the Mississippi Department of Corrections (MDOC), we noted the following instances:

- One (1) instance in which an employee did not use one day of personal leave, compensatory leave, or leave without pay prior to using medical leave.
- One (1) instance in which the agency was unable to provide a time report for the selected employee. Therefore, verification of proper recording in SPAHRS could not be determined.

Failure to maintain proper records of employee leave could lead to the misstatement of leave balances in SPAHRS. In addition, an employee’s leave balance being incorrect in SPAHRS could result in an employee being compensated for unauthorized leave and inaccurately reporting the State’s liabilities and obligations.

**Recommendation:** We recommend the Mississippi Department of Corrections implement policies and procedures over the maintenance and recording of employee leave in Statewide Payroll and Human Resource System (SPAHRS) to ensure compliance with state laws and regulations

**Agency Response:** MDOC concurs with the finding. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** Yes.

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**Finding 18:** Agency Should Ensure Compliance with State Laws over Surety Bonds.

**Applicable State Laws/Internal Control Principle:** *Section 47-5-37, Miss Code Ann. (1972)* states, “Such fiscal comptroller shall execute a good and sufficient bond payable to the State of Mississippi in the sum of Fifty Thousand Dollars (\$50,000.00), conditioned for the satisfactory performance of the duties of his office, and the accurate accounting of any moneys and properties coming into his hands.”

**Finding Detail:** During our review of surety bonds, we noted one (1) instance in which an employee that held the position of fiscal comptroller during the period of March 31, 2018 to August 31, 2018, was not covered by a surety bond as required by State Law.

Failure to bond agency personnel could result in a financial loss for the agency in the event of misappropriation or theft.

**Recommendation:** We recommend the Mississippi Department of Corrections ensure compliance with state bond laws.

**Agency Response:** MDOC concurs with the finding. Please see the attached Corrective Action Plan for more information.

**Repeat Finding:** No.

**End of Report**