



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

June 19, 2018

Limited Internal Control and Compliance Review Management Report

Michael Wright, Executive Director
Mississippi State Board of Registered Professional Geologists
777 Harris Street, Suite 103
Jackson, MS 39202

Dear Mr. Wright:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi State Board of Registered Professional Geologist for the Fiscal Year 2017. In these findings, the Auditor's Office recommends the Mississippi State Board of Registered Professional Geologists:

1. Strengthen Controls to Ensure Compliance with State Laws Over Bank Accounts;
2. Strengthen Controls to Ensure Compliance with State Laws Over Cash Receipts;
3. Strengthen Controls Over The Recording Of Employee Leave; and
4. Strengthen Controls Over Receipts and Disbursements to Ensure Proper Segregation of Duties.

Please review the recommendations and submit a plan to implement them by July 25, 2018. The enclosed findings contain more information about our recommendations.

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

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.

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I hope you find our recommendations enable the Mississippi State Board of Registered Professional Geologists to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,



STEPHANIE PALMERTREE, CPA, CGMA

Director, Financial and Compliance Audit

Office of the State Auditor

Enclosure

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi State Board of Registered Professional Geologists for the year ended June 30, 2017. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA, Jeremy K. Ashley, and Derek Easley.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

While performing our review, we noted certain instances of noncompliance with State laws that require the attention of management. These matters are noted under the headings **OTHER CONTROL DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 1: Agency Should Strengthen Controls to Ensure Compliance with State Laws Over Bank Accounts.

Executive Summary: During our review of Bank Accounts, it was noted the agency did not submit the Public Depositors Annual Report timely. Additionally, reconciliations of the bank statements to were not being performed.

Recommendation: We recommend the Mississippi Board of Registered Professional Geologists strengthen controls to ensure compliance with state laws over the bank account. The minimum account balance of \$500 as authorized by Department of Finance and Administration (DFA) and the Office of State Treasurer (Treasury) should be maintained, and transfers to the State Treasury should be made timely. The Public Depositors Annual Report should be submitted within thirty days of the end of the fiscal year to Treasury with accurate bank account information to ensure public funds are adequately collateralized. Additionally, reconciliations should be performed monthly between the bank statements and the agency records.

Detailed Analysis: During our review of internal controls for compliance over bank accounts at the Mississippi Board of Registered Professional Geologists (MSBRPG), we noted the following problems:

- The Public Depositors Annual Report was not submitted timely. The report is due thirty days after fiscal year end, but was not sent to the State Treasury until September 18, 2017, which is 49 days past due.
- It was also noted that the agency did performing monthly reconciliations of the bank statements for 2017 fiscal year.

Section 7-9-12, *Miss. Code Ann. (1972)*, allows agencies to request authorization from the Department of Finance and Administration (DFA) and the Office of the State Treasurer (Treasury) to open a bank account to serve as a collection or clearing account. Each account established shall have a minimum balance to be fixed by Treasury.

Section 27-105-5(6)(b), *Miss. Code Ann. (1972)*, requires a public depositor to notify the State Treasurer, no later than thirty days after the end of the fiscal year, of its bank accounts that it has with a qualified public depository, including the balance in the accounts as of the fiscal year end.

Failure to maintain bank balances as authorized by the Department of Finance and Administration (DFA) and the Office of the State Treasurer (Treasury) could result in a loss of revenue to the state. Failure to submit the Public Depositors Annual Report with accurate bank account information in a timely manner could result in Treasury not having information necessary to determine proper collateralization. In addition, failure to perform monthly reconciliations of the bank statement to the agency records may result in loss of funds and/or misuse of funds.

Finding 2: Agency Should Strengthen Controls Over Cash Receipts to Ensure Compliance With Applicable State Laws.

Executive Summary: During our review of Cash Receipts for the Mississippi Board of Registered Professional Geologists, it was noted the agency did not maintain a daily receipt log. Additionally, two (2) instances were noted in which the cash receipts deposited to the bank were not transferred to Treasury timely.

Recommendation: We recommend the Mississippi Board of Registered Professional Geologists strengthen controls ensure receipts are promptly transferred to the State Treasury to ensure compliance with state laws. We also recommend the agency maintain a receipts log.

Detailed Analysis: During our review of manual cash receipts at the Mississippi Board of Registered Professional Geologists (MSBRPG), we noted the following:

- The agency is not maintaining a daily receipt log documenting the date checks are received; therefore, auditor could not verify deposits totaling \$33,925.22, for fiscal year 2017, are being timely made to the clearing account.
- Two (2) instances totaling \$7,069.22, for fiscal year 2017, in which the cash receipts deposited to the bank were not transferred to the Treasury timely.

Section 7-9-21, *Miss. Code Ann. (1972)*, requires agencies to deposit funds with the State Treasury by the end of the next business day following the date the funds are collected. The untimely transfer of funds may result in the loss of investment earnings to the State. In addition, failure to make timely transfers to Treasury results in noncompliance with the State Code.

Good accounting practices dictates a receipts log be maintained in order to verify accuracy of receipts and timely deposits into clearing account. In addition, good internal controls require documentation of cash received to ensure an adequate audit trail is in place.

OTHER CONTROL DEFICIENCIES

Finding 3: Agency Should Strengthen Controls Over The Recording Of Employee Leave.

Executive Summary: During our review of employee leave, it was noted the Executive Director was accumulating and taking compensatory leave that was not properly recorded in the Statewide Payroll and Human Resource System (SPAHRs). In addition, it was noted the Executive Director failed to record personal leave in SPAHRs while absent in the months of October 2016 and April 2017.

Recommendation: We recommend Mississippi Board of Registered Professional Geologists strengthen controls to ensure leave earned and taken is properly documented and recorded in SPAHRs to ensure leave balances are accurate and complete. We also recommend that the Executive Director's time is appropriately adjusted for leave taken and not recorded.

Detailed Analysis: During our review of Personal, Major Medical, and Compensatory leave for Mississippi Board of Registered Professional Geologist, we noted the following:

- There was no proper documentation supporting the compensatory leave earned. Therefore, auditors could not verify compensatory time for accuracy.
- No compensatory leave was recorded in SPAHRs for the Executive Director.
- Through inquiry, it was noted that on October 6-7 and April 20-21, the Executive Director took personal leave without properly recording the leave in SPAHRs.

Section 25-3-92(1), *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. Except as otherwise provided in Section 37-13-89 when, in the opinion of the appointing authority, it is essential that a state employee work during an official state holiday, the employee shall receive credit for compensatory leave."

Section 25-3-97(1), *Miss Code Ann. (1972)* requires organizations to maintain accurate records of the leave accumulated and used by the officers and employees thereof.

Good internal controls dictate prompt review of leave balances in SPAHRS to ensure leave is accurately recorded in the system.

Finding 4: Agency Should Strengthen Controls Over Receipts and Disbursements to Ensure Proper Segregation of Duties.

Executive Summary: During our review of Bank Accounts, Cash Receipts, and Disbursements for the Mississippi Board of Registered Professional Geologists, we noted a lack of proper segregation of duties.

Recommendation: We recommend the Mississippi Board of Registered Professional Geologists implement policies and procedures to ensure proper segregation of duties.

Detailed Analysis: During our review of the Mississippi Board of Registered Professional Geologists, we noted that one person performs the following procedures: receives the checks in the mail, prepares the deposit slips, makes the deposits into the bank, signs the checks, and approves cash receipts.

Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets be segregated as much as possible in order to ensure the assets are safeguarded against loss from unauthorized use or theft. Failure to properly segregate these functions increases the possibility of errors occurring and the potential for theft of property.

End of Report



MISSISSIPPI STATE BOARD OF REGISTERED PROFESSIONAL GEOLOGISTS

POST OFFICE BOX 22742
JACKSON, MISSISSIPPI 39225-2742
TELEPHONE - 601-354-6370
GEOLOGY@MSBRPG.STATE.MS.US
WWW.MSBRPG.MS.GOV

Michael J. Wright, Executive Director

COMPLIANCE REVIEW FINDINGS

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

July 12, 2018

Dear Mr. White:

Beginning on May 3, 2018 the Office of the State Auditor conducted a Limited Internal Control and Compliance Review of this Board for Fiscal Year 2017. The findings and recommendations of the Auditor's Office have been submitted to the Board. Herein is the Board's formal response to the audit findings and corrective action plans.

AUDIT FINDINGS

Finding 1: Agency Should Strengthen Controls to Ensure Compliance with State Laws of Bank Accounts

Response: The Board's failure to submit the Public Depositor's Annual Report by the required deadline was simply an oversight – a mistake. The Board maintains a minimum monthly account balance of \$1,000.00 in its clearing account. Reconciliations are performed monthly when the bank statements come in. The simplicity of the account does not require a detailed review to reconcile it with the Board's records; however, there is no physical evidence of monthly reconciliations. The Board concurs with the findings and recommendations.

Corrective Action Plan:

- A. The Board has developed a checklist of regularly scheduled reports and documents which must be submitted to other agencies. The Board has also modified its email settings to keep time sensitive items clearly visible.
- B. The Board's check register for its clearing account is complete since the account was created in 1997. The register, which is an integral part of the check book, keeps a running account balance which is maintained at \$1,000.00. Deposits to this clearing account and subsequent Treasury Fund transfers keep the balance at \$1,000.00 with the exception of the service fee at the end of each month. The Board has put the complete register of the check account in an Excel spreadsheet. No errors were found in the entries made during the last 21 years. The Board has produced a paper check register using this spreadsheet. The Board will continue to reconcile the bank statements against the Board's records and the paper and digital registers.

Finding 2: Agency Should Strengthen Controls over Cash Receipts to Ensure Compliance with Applicable State Laws

Response: The Board has not maintained an independent daily receipt log which documents the dates that checks are received. The Board does post the receipt date of all checks, who the checks are from, the purpose of the checks, and the check amounts within the corresponding databases. The Board also stamps the received dates on all paperwork. The amount of any payment, the payment type and the document number are all recorded on paperwork which includes payments. Although the Board has not included the post dates of checks with the accounts receivable and deposit records of the Board, the information is documented.

There were two (2) instances where deposits to the clearing account were not transferred to the Treasury in a timely manner. One occasion was the result of the clearing account deposit being made prior to when the transfer to the Treasury fund transfer could be posted into MAGIC – the person who does the Board's MAGIC entries was not available to do the entry. This resulted in an untimely delay of the transfer to the Treasury. The second instance was simply an oversight – the Executive Director forgot to put the check in the mail. The Board concurs with the findings and recommendations.

Corrective Action Plan:

- A. The Board has generated an independent daily receipt log which documents the dates that checks are received, who the checks are from, the purpose of the checks, and the check amounts. This information is now being posted in with the accounts receivable and deposit records of the Board.
- B. Since June of 2016, the Board has had in place a detailed set of financial and data spreadsheets which allow for checks and balances of all the Board's records. This provides a means of verifying and cross checking records and receipts. This has also helped more detailed revenue sources for the Board's annual Budget Request.
- C. Deposits to the clearing account have historically followed fairly stringent procedures to insure timely deposits and transfers; however, the Board has modified its procedures to reduce the possibility of untimely delays to deposits and transfers due to human weaknesses.

Finding 3: Agency Should Strengthen Controls over Recording of Employee Leave.

Response: The Board's leave policy has been insufficient. The Board has a single employee, the Executive Director, and it is very common for 44 hours or more to be put in each week to complete the required work. The current Executive Director has been in place for 2 years. The Board members have been aware that the new Executive Director has been putting in this extra time for the expressed purpose of making significant improvements to the functionality and performance of the Board. As a result, of this major push in improving functionality and performance, SPAHRS and MAGIC training were temporarily set aside. SPAHRS and MAGIC training would have eliminated this insufficiency. Consequently, the Executive Director has been willingly uncompensated for over 160 hours of undocumented time worked. The Board concurs with the findings and recommendations.

Corrective Action Plan:

- A. The Board has agreed to let the Mississippi State Personnel Board to process time sheets for the Board. The Executive Director is documenting all hours worked and all leave taken. Beginning July 1, 2018 the time sheets will be reported to the Mississippi State Personnel Board for entry into SPAHRS. As done previously, leave in excess of 8 consecutive hours is being reported to the Board members.
- B. The Executive Director will coordinate with the Mississippi State Personnel Board to make the recommended adjustment to leave.

Finding 4: Agency Should Strengthen Controls Over Receipts and Disbursements to Ensure Proper Segregation of Duties

Response: The Board has a single employee, the Executive Director. As pointed out by the Auditors, it is hard to segregate duties with only one employee. The Board concurs with the findings and recommendations, although the Board does not have the resources to resolve this issue with staff. The Board has in place a detailed accounting system that is regularly cross checked with databases to insure that receivables can be accounted for and verified through the databases, and services provided.

Corrective Action Plan:

- A. Since the beginning of FY 2016, the Board has put in place numerous checks and balances to:
 - a. Significantly reduce human error in both accounting and data entry realms
 - b. Provide means of identifying and finding errors
 - c. Provide checks and balances which correlate all accounting entries with data entries
 - d. Allow for quick verification of payment, payment type, and payment receipt date
 - e. Provide a means of verifying that payments received correlate with services provided
- B. The Executive Director provides the Board members with copies of the Board's records for their review.
- C. The Board issues receipts for payments received. This process is currently being streamlined to improve the centralization of records and the receipt generation process.
- D. Some accounting, receipts, and disbursement processes are now being processed or reviewed by an external contract worker who does the Board's MAGIC entry.

The Board believes that these Corrective Action Plans will help minimize the potential for problems and errors, that it will help provide some of the needed segregation of duties, yet provide the needed checks and balances where segregation of duties might be lacking. The Board thanks you for your help and support and it welcomes any advise, comments, or recommendations that you may have.

Sincerely,



Michael J. Wright, RPG
Executive Director