



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

April 1, 2019

Financial Audit Management Report

Dr. Thomas Dobbs, State Health Officer
Mississippi State Department of Health
570 East Woodrow Wilson Dr.
Jackson, MS 39216

Dear Dr. Dobbs:

Enclosed for your review is the financial audit finding for the Mississippi State Department of Health for the Fiscal Year 2018. In this finding, the Auditor's Office recommends the Mississippi State Department of Health strengthen controls over MAGIC's segregation of duties, business role assignments, and quarterly access reviews.

Please review the recommendation and submit a plan to implement them by April 15, 2019. The enclosed finding contains more information about our recommendation.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree".

Stephanie C. Palmertree, CPA, CGMA
Director, Financial Audit and Compliance Division
Enclosures

FINANCIAL AUDIT MANAGEMENT REPORT

The Office of the State Auditor conducts the annual audit of the State of Mississippi's *Comprehensive Annual Financial Report (CAFR)*, as compiled and prepared by the Department of Finance and Administration for the fiscal year ended June 30, 2018. While OSA has not been engaged to audit your agency's financial accounting records and processes individually, we have been engaged by DFA to audit the State as a whole in accordance with Government Auditing Standards. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Internal Control over Financial Reporting

In planning and performing our audit of the State of Mississippi's CAFR, we considered the Mississippi State Department of Health's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the significant accounts selected, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Mississippi State Department of Health's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, identified in this letter as item 2018-19, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi State Department of Health are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

SIGNIFICANT DEFICIENCY

<u>Finding Number</u>	<u>Finding and Recommendation</u>
2018-019	<u>Controls Should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process.</u>
Repeating Finding	No.
Criteria	<p><i>The Internal Control – Integrated Framework</i>, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the <i>U.S. Government Accountability Office Standards for Internal Control in the Federal Government</i> (Green Book) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.</p> <p>Segregation of duties is the sharing of responsibilities of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within MAGIC to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.</p> <p>Additionally, <i>The Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual</i> section 30.60.00 dictates that MAGIC security roles should be assigned to an employee based on his/her job duties, and that security roles should be reviewed on a quarterly basis to ensure that duties are segregated.</p>
Condition	<p>The Mississippi State Department of Health submitted certification to DFA quarterly during state fiscal year 2018 stating that it was in compliance with policies regarding MAGIC security. Upon review of the security roles assigned and the exceptions noted below, the agency did not have proper segregation of duties, did not have business roles assigned in accordance with DFA's MAGIC roles and descriptions, and improperly certified their agency had proper segregation of duties.</p>

During our review of MAGIC security roles, we noted the following exceptions:

- One instance in which Mississippi State Department of Health employees had access to roles specific to outside agencies; and
- Five instances in which there were role violations related to improper segregation of duties.

Cause The Agency did not properly review and monitor their MAGIC security roles assigned to employees.

Effect Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.

Recommendation We recommend the Mississippi State Department of Health strengthen controls over MAGIC security and ensure that roles are properly assigned, duties are segregated, and roles are reviewed in accordance with the MAAPP manual. When proper segregation of duties is not practical, compensating controls, such as increased review, should be implemented to ensure proper internal control activities have been met.

End of Report



MISSISSIPPI STATE DEPARTMENT OF HEALTH

FINANCIAL AUDIT FINDINGS

April 25, 2019

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

Dear Mr. White:

We have reviewed the audit finding below in reference to the Mississippi State Department of Health 2018 fiscal year audit. Listed below is our individual response and plan for corrective action:

Audit Finding:

2018-019 Controls Should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process

Response: The agency partially concurs with this finding.

Corrective Action: At the time of the audit one employee did have access to the "FA- Fixed Assets Property Officer – MUV" role. While this role is specific to outside agencies, DFA allowed our MAGIC security contact to request this role. The access has been deleted; however, we believe it is DFA's responsibility to ensure assignments are not approved for staff this is agency specific.

The agency is aware of the segregation of duties conflicts identified. However, in order for the agency/office to operate it is necessary for these individuals to have the access given. These conflicts are communicated to our MAGIC security contact. We will ensure they communicate this in the quarterly certification submitted to DFA. Also, in certain limited situations, staff may enter and approve the same transaction. These will be reviewed and signed off by supervisory staff to ensure proper controls.

Name of contact person responsible for corrective action: Information Technology Dept and Sharon Dowdy

Anticipated completion date of corrective action: June 30, 2019

Office of the State Auditor
April 25, 2019
Page 2

Should you have any questions regarding our response or corrective action plan, please feel free to contact Sharon Dowdy, 601-576-7359.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas E. Dobbs III", with a long, sweeping horizontal line extending to the right.

Thomas E. Dobbs III, M.D., M.P.H.
State Health Officer



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

May 22, 2019

Single Audit Management Report

Dr. Thomas Dobbs, State Health Officer
Mississippi State Department of Health
570 East Woodrow Wilson Dr.
Jackson, MS 39216

Dear Dr. Dobbs:

Enclosed for your review is the single audit finding for the Mississippi State Department of Health for Fiscal Year 2018. In this finding, the Auditor's Office recommends the Mississippi State Department of Health strengthen controls to ensure compliance with provider health and safety standards requirements.

Please review the recommendation and submit a plan to implement it by May 31, 2019. The enclosed finding contains more information about our recommendation.

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

The purpose of this report is solely to describe the scope of our testing of compliance on each major federal program and of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendation enables the Mississippi State Department of Health to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Department of Health. 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, flowing style.

Stephanie C. Palmertree, CPA, CGMA
Director, Financial and Compliance Audit Division

Enclosures

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SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi State Department of Health for the year ended June 30, 2018. The Office of the State Auditor's staff members participating in this engagement included Michael Torres, CPA, Lisa Meade, CPA, and Shavonda Lott.

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

Report on Compliance for Each Major Federal Program

We have audited the Mississippi State Department of Health's compliance with the types of compliance requirements described in the *OMB Uniform Guidance Compliance Supplement* that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi State Department of Health for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

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

Results of Compliance Audit Procedures

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Uniform Guidance and which are identified in this letter as item 2018-059.

Internal Control over Compliance

Management of the Mississippi State Department of Health is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mississippi State Department of Health's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are

appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mississippi State Department of Health's internal control over compliance.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified in this letter as items 2018-059 to be a material weakness.

Findings and Recommendations

SPECIAL TEST AND PROVISIONS – PROVIDER HEALTH AND SAFETY STANDARDS

Material Weakness

Material Noncompliance

2018-059 Controls Should Be strengthened to Ensure Compliance with Provider Health and Safety Standards Requirements.

CFDA Number 93.777 – State Survey Certification of Health Care Providers and Suppliers (Title XVIII) Medicare

Federal Award No.	05-1705-MS-5000	2017
	05-1705-MS-5002	2017
	05-1805-MS-5000	2018
	05-1805-MS-5002	2018

Federal Agency U.S. Department of Health and Human Services

Pass-through Entity N/A

Questioned Costs N/A

Criteria *Code of Federal Regulations* (42 CFR 488.308(a)) states, "The survey agency must conduct a standard survey of each Skilled Nursing Facility (SNF) and Nursing Facility (NF) not later than 15 months after the last day of the previous standard survey."

Code of Federal Regulations (42 CFR 488.308(b)(1)) states, "The statewide average interval between standard surveys must be 12 months or less, computed in accordance with paragraph (d) of this section."

Code of Federal Regulations (42 CFR 488.308(d)) states, "The statewide average interval is computed at the end of each Federal fiscal year by comparing the last day of the most recent standard survey for each participating facility to the last day of each facility's previous standard survey."

Condition	During our testing of the provider health and safety standard requirements, we noted 42 out of a total of 205 Long-Term Care (LTC) facilities did not have the mandatory health and safety survey performed within the required 15 months of the survey period. Additionally, the statewide average survey interval exceeded 12 months.
Cause	The Centers for Medicare and Medicaid Services (CMS) implemented a new LTC survey process as well as loss of qualified nursing home surveyors.
Effect	If surveys are not conducted timely, health and safety violations may go undetected.
Recommendation	We recommend the Mississippi State Department of Health strengthen controls to ensure surveys are conducted in a timely manner, in accordance with federal requirements.
Repeat Finding	No.
Statistically Valid	The sample is considered statistically valid.

End of Report



MISSISSIPPI STATE DEPARTMENT OF HEALTH

SINGLE AUDIT FINDINGS

May 31, 2019

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

Dear Mr. White:

We have reviewed the audit finding below in reference to the Mississippi State Department of Health 2018 fiscal year audit. Listed below is our individual response and plan for corrective action:

Audit Finding:

2018-059 Controls Should Be Strengthened to Ensure Compliance with Provider Health and Safety Standards Requirements

CFDA Number: 93.777 – State Survey Certification of Health Care Providers and Suppliers (Title XVIII) Medicare

Requirement: Special Test and Provisions – Provider Health and Safety Standards

Response: The agency concurs with this finding.

Corrective Action: Managing survey workload is directly related to fully staffed survey teams. The Bureau of HFCL has implemented a new Long-Term Care (LTC) infrastructure which consists of four (4) survey regions (NE, NW, SE, SW) to better manage workload, productivity, and efficiencies. Nurse Managers will manage survey teams within four (4) survey regions (NE, NW, SW, SE) across the state. Recruitment actively continues for onboarding of team members/surveyors to achieve a fully staffed LTC infrastructure. As recruitment continues, the goal for the LTC Division under the new LTC infrastructure is to have 30 surveyors to manage the recertification, complaint, and revisit survey workload as budget resources allow. Monthly LTC survey schedules will be developed by the Nurse Manager and team members for each respective LTC Survey District (NE, NW, SE, SW) and reviewed/approved by the Chief Nurse for LTC to ensure performance goals are met. The LTC survey workload as well as the LTC survey intervals will be monitored through the suite of CMS reports as well as through the requested monthly reporting and communication with the MS Division of Medicaid

Name of contact person responsible for corrective action: Marilyn Winborne

Office of the State Auditor
May 31, 2019
Page 2

Anticipated completion date of corrective action: December 2019

Should you have any questions regarding our response or corrective action plan, please feel free to contact Sharon Dowdy, 601-576-7359.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Dobbs", written in a cursive style.

Thomas E. Dobbs III, M.D., M.P.H.
State Health Officer