

Carey M. Wright, Ed.D.
State Superintendent of Education and,
Mississippi State Board of Education
Jackson, Mississippi

We have audited the financial statements of the selected funds 5320100000 and 442300000 of the Mississippi Department of Education (MDE) as of and for the year ended June 30, 2016, and have issued our report thereon dated April 21, 2017. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MDE are described in Note 1 to the financial statements.

We noted no transactions entered into by MDE, for the selected funds, during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements for the selected funds in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements of the selected funds which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered significant time delays while performing and completing our audit.

MDE was not adequately prepared for the financial audit which resulted in untimely delays. The original due date for the fund financial statements were December 31, 2016. As a result, MDE's financial statements for funds 5320100000 and 4423000000 were not issued until April 2017.

Corrected misstatements

The following material misstatements detected as a result of audit procedures were corrected by management:

- The account balance for due from federal government was overstated by \$61,268,158.
- The account balance for equity in State Treasury funds was understated by \$35,278,955.
- The accounts payable balance was overstated by \$1,674,754.
- The account balance for due to other government was overstated by \$36,828,134.
- The account balance for unearned revenue was overstated by \$25,989,203.
- The account balance for due to federal government and due from federal government were understated by \$7,543,663.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated April 21, 2017.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants. We were informed by management that there were no consultations with other accountants.

Misuse of Federal Funds

The following describes misuse of funds by the Office of Federal Programs and Office of Accounting employees who have significant roles in group-wide controls, or others in which a material misstatement of the group financial statements has or may have resulted from fraud.

- MDE charged 21st Century program expenditures to the Title I program for three months beginning April 2016 to June 2016. MDE contacted USDE immediately upon identification that the unallowed process had occurred, and is currently in communication with the grantor regarding resolution and any other grantor requirements in response to the misused funds. MDE drew approximately, \$7.6 million from USDE for the unallowed Title I costs, which will be repaid using MDE's general fund.
- As a result of the unallowed process, subsequent to FY 2016, MDE misused approximately, \$3.9 million of Title I funds in July 2016. The funds were repaid during FY 17 by transferring 21st Century funds to the Title I program.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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This communication is intended solely for the information and use of the Mississippi Board of Education and management of Mississippi Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Baltimore, Maryland
April 21, 2017



MISSISSIPPI DEPARTMENT OF EDUCATION

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

April 21, 2017

CliftonLarsonAllen LLP
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This representation letter is provided in connection with your audits of selected funds 5320100000 and 4423000000 (the funds) of the Mississippi Department of Education (MDE), which comprise the respective financial position of the funds as of June 30, 2016, and the respective changes in financial position, and the related notes to the financial statements, for the purpose of expressing opinions on whether the selected funds are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report (CAFR).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of, the following representations made to you during your audit of selected funds 5320100000 and 4423000000 as of and for the year ended June 30, 2016.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the contract dated September 28, 2016, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosures have been adjusted or disclosed.
- You have proposed adjusting journal entries that have been posted to the selected fund's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Receivables recorded in the financial statements of the selected funds represent valid claims against state or federal government for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit of the selected funds.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - Complete minutes of the meetings of the governing board and related committees for the selected funds.
 - All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices for the selected funds.
 - All communications from regulatory agencies, grantors, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements for the selected funds.
 - Access to all audit or relevant monitoring reports, if any, received from funding sources of the federal program selected by the Office of the State Auditor.

- All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards of the federal programs selected by the Office of the State Auditor.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud or suspected fraud for the selected funds.
- We have disclosed any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when fraud or suspected fraud could have a material effect on the financial statements.
- We have disclosed all known instances of any allegations of fraud, or suspected fraud, affecting the funds financial statements communicated by employees, former employees, grantors, regulators, or others for the selected funds.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse whose effects should be considered when preparing financial statements for the selected funds and federal programs selected by the Office of the State Auditor.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements for the selected funds.
- There are no other known material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP for the selected funds.
- We have disclosed to you the identity of the fund's related parties and all the related party relationships and transactions of which we are aware for the selected funds.
- We have taken timely and appropriate steps to remedy fraud, illegal acts, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us for the selected funds and federal programs selected by the Office of the State Auditor.
- We have a process to track the status of audit findings and recommendations.
- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to MDE, and we have identified and disclosed to you all laws,

regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds for the selected funds and federal programs selected by the Office of the State Auditor.

- Except for the misused Title I program costs, there are no known violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance for the federal programs selected by the Office of the State Auditor.
- Except for the misused Title I program costs, the MDE has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance for the selected funds.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- The financial statements properly classify all activities of the funds for the selected funds.
- Expenses have been appropriately classified in or allocated to functions and programs of the funds in the statement of revenue, expenditures and changes in fund balance and allocations have been made on a reasonable basis for the selected funds.
- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported for the selected funds.
- We have appropriately disclosed the MDE's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy for the selected funds.
- As part of your audit, CLA prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards for the selected funds and federal programs selected by the Office of the State Auditor.
- In regards to the adjusting journal entries prepared by you, we have:
 - Made all management judgments and decisions and assumed all management responsibilities.

- Designated an individual who possesses suitable skill, knowledge, or and/or experience to understand and oversee the services.
- Evaluated the adequacy and results of the services performed.
- Accepted responsibility for the results of the services.
- With respect to federal award programs selected for audit by the Office of the State Auditor:
 - We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) including requirements relating to preparation of the schedule of expenditures of federal awards for the federal programs selected by the Office of the State Auditor.
 - We acknowledge our responsibility for presenting the Schedule of Expenditures of Federal Awards (SEFA) for the federal programs selected by the Office of the State Auditor. and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA for the federal programs selected by the Office of the State Auditor.
 - We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, food commodities, direct appropriations, and other direct assistance.
 - We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs selected for audit and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program selected by the Office of the State Auditor.
 - We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
 - We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to

federal programs selected for audit, and related activities each major program selected by the Office of the State Auditor.

- We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *Office of Management and Budget (OMB) Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards for each major program selected by the Office of the State Auditor.
- We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report for each major program selected by the Office of the State Auditor.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report for each major program selected by the Office of the State Auditor.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, *Cost Principles State, Local, and Tribal Governments*.
- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements for the programs selected for audit for each major program selected by the Office of the State Auditor.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report for each major program selected by the Office of the State Auditor.
- We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.

- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared for each major program selected by the Office of the State Auditor.
- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance for each major program selected by the Office of the State Auditor.
- We have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of sub recipient monitoring report. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient for each major program selected by the Office of the State Auditor.
- We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- We have charged costs to federal awards in accordance with applicable cost principles for each major program selected by the Office of the State Auditor.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance for each major program selected by the Office of the State Auditor.
- We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations for each major program selected by the Office of the State Auditor.

Signature:  Title: State Superintendent of Education

Signature:  Title: Chief Operations Officer