

**REPORTS ON FEDERAL PROGRAMS OF THE
MISSISSIPPI DEPARTMENT OF EDUCATION
SELECTED BY THE
OFFICE OF THE STATE AUDITOR
YEAR ENDED JUNE 30, 2016**

**FEDERAL PROGRAMS OF THE MISSISSIPPI DEPARTMENT OF EDUCATION
SELECTED BY THE OFFICE OF THE STATE AUDITOR
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INDEPENDENT AUDITORS' REPORT

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

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of Federal Awards for programs selected by the Office of the State Auditor for those programs of the Mississippi Department of Education (MDE), for the year ended June 30, 2016, and the notes (the financial statement).

Management's Responsibility for the Schedule of Expenditures of Federal Awards Programs Selected for Audit.

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards for the programs selected by the Office of the State Auditor of MDE for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
April 21, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAMS SELECTED BY THE OFFICE OF THE STATE
AUDITOR AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program
Selected by the Office of the State Auditor**

We have audited Mississippi Department of Education's (MDE) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal program selected by the Office of the State Auditor for the year ended June 30, 2016. MDE's major federal programs, as selected by the Office of the State Auditor, are identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of MDE's major federal programs selected by the Office of the State Auditor 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 MDE's major federal programs selected by the Office of the State Auditor compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the MDE's major federal programs selected by the Office of the State Auditor. However, our audit does not provide a legal determination of MDE's major federal programs selected by the Office of the State Auditor compliance.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, MDE major federal programs selected by the Office of the State Auditor did not comply with requirements regarding CFDA 84.010 - Title I allowable costs and activities as described in 2016-038 and CFDA 84.287 - 21st Century Community Learning Centers subrecipient monitoring as described in 2016-042. Compliance with such requirements is necessary, in our opinion, for MDE to comply with the requirements applicable to the programs.

Qualified Opinion on Title I

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, MDE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.010 - Title I for the year ended June 30, 2016.

Qualified Opinion on 21st Century Community Learning Centers

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, MDE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.287 - 21st Century Community Learning Centers for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, MDE major federal programs selected by the Office of the State Auditor, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-039 and 2016-040. Our opinion on each major programs as selected by the Office of the State Auditor is not modified with respect to these matters.

MDE's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. MDE's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of the MDE 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 MDE's internal control over compliance with the types of requirements that could have a direct and material effect on the federal programs identified in Table 1 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the programs identified in Table 1 and to test and report on internal control over compliance in accordance with the 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 MDE's internal control over compliance.

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-038 and 2016-042 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-039, 2016-040 and 2016-041 to be significant deficiencies.

MDE's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. MDE's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
April 21, 2017

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FEDERAL PROGRAMS SELECTED BY THE OFFICE
OF THE STATE AUDITOR
YEAR ENDED JUNE 30, 2016**

Federal Grantor, Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Sub-Recipient Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
USDA: Non-Cash Commodities	10.555	\$ 18,920,425	\$ 18,920,425
National School Lunch Program	10.555	175,123,638	175,123,638
School Breakfast	10.553	63,700,548	63,482,043
Special Milk Program	10.556	2,437	2,437
Summer Food Service Program	10.559	8,234,466	8,234,466
Total Child Nutrition Cluster		<u>265,981,514</u>	
Child and Adult Care Food Program	10.558	<u>44,373,432</u>	44,373,432
Total U.S. Department of Agriculture		<u>310,354,946</u>	
U.S. Department of Education			
Title - I Grants to Local Educational Agencies	84.010	170,234,039	170,234,039
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	115,867,616	115,867,616
Special Education - Preschool Grants (IDEA Preschool)	84.173	<u>4,088,553</u>	4,088,553
Total Special Education Cluster		120,248,431	
Career and Technology Education	84.048	12,197,475	12,197,475
21st Century Community Learning	84.287	16,596,427	16,596,427
Improving Teacher Quality State Grants	84.367	<u>31,942,352</u>	31,942,352
Total U.S. Department of Education		<u>350,926,462</u>	
Total Federal Expenditures		<u>\$ 661,281,408</u>	

**MISSISSIPPI DEPARTMENT OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FEDERAL PROGRAMS SELECTED BY
THE OFFICE OF THE STATE AUDITOR
YEAR ENDED JUNE 30, 2016**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards for Federal Programs Selected by the Office of the State Auditor includes the federal grant activity for federal programs reported in the schedule. These programs were selected for audit by the Office of the State Auditor and do not represent all of the federal expenditures of MDE. The Schedule is presented on an accrual basis of accounting in accordance with *Generally Accepted Accounting Principles*.

The information in this Schedule is also presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Expenditures of selected federal award grant funds are made for the purposes specified by the grantor, and are subject to certain restrictions. Expenditures are also subject to audit by the relevant federal agency. In the opinion of management, disallowed costs, if any, from such audits will not have a material effect on this Schedule or the financial position of MDE.

NOTE 2 INDIRECT COST

MDE did not elect to use the 10% de minimis cost rate for indirect costs.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Federal Awards Section

	<u>Yes</u>	<u>None Reported</u>
Material weakness(es) identified?	X	
Significant deficiency(ies) identified not considered to be material weaknesses?	X	
Type of auditors' report on compliance for major programs:		See below
	<u>Yes</u>	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 510 (a)	X	

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
10.553, 10.555, 10.559	Child Nutrition Cluster	Unmodified
10.558	Child and Adult Food Program	Unmodified
84.010	Title I	Qualified
84.027, 84.0173	Special Education Cluster	Unmodified
84.048	Career and Technology	Unmodified
84.287	21 st Century Community Learning Centers	Qualified
84.367	Title II: Improving Teacher Quality	Unmodified

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

ALLOWABLE COSTS AND ACTIVITIES

***Material Weakness
Material Noncompliance***

2016-038	<u>Internal controls over posting federal program costs to the general ledger should be strengthened.</u>
CFDA Number	84.010 – Title I
Federal Award	ES010A150024
Federal Agency	U.S. Department of Education
Pass-through Entity	N/A
Questioned Costs	Approximately \$7.6 million
Criteria	<p>Control: 2 CFR 200 <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements</i> (the Uniform Guidance) requires non-Federal entities to establish and maintain effective internal controls over Federal awards so that they provide reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards per 2 CFR section 200.303(a).</p> <p>Compliance: 2 CFR 200 <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements</i> requires allowable costs to be necessary and reasonable for the performance of the Federal award and conform to any limitations or exclusions set forth in the cost principles or in the Federal award as to types or amount of cost items.</p>
Condition	<p>The former Director of Fiscal Management in the Office of Federal Programs (OFP) instructed the school payment supervisor in the Office of Accounting to override procedures and record 21st Century Community Learning Center (21st Century program) expenditures to the Title I, Part A funds (Title I).</p> <p>As required by MDE's procedures, the Office of Accounting notified the former Director of Fiscal Management that the 21st Century grant didn't have available funds to process subrecipients' reimbursement requests. The former Director of Fiscal Management sent an email to the Office of Accounting and instructed the staff to charge the expenditures to the Title I program, which were subsequently drawn from the U.S. Department of Education (USDE) as Title I program costs. The Director of the Office of Accounting and the former Executive Director of the OFP received the email from the former Director of</p>

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Fiscal Management instructing the Office of Accounting staff to charge the costs to Title I. The Chief Operations Officer was not notified of the 21st Century shortage of available funds or the decision to charge the Title I program for 21st Century expenditures. As a result of the misused funds, MDE terminated the OFP Director of Fiscal Management, the Executive Director of the Office of Federal Programs, and the 21st Century Program Coordinator.

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.

Cause

The former Director of Fiscal Management in OFP overrode MDE's accounting procedures in order to cover a shortfall of available funds for the 21st Century program. MDE's procedures and internal controls were inadequate to prevent and/or detect the override; as timely reconciliation of 21st Century and Title I's expenditures, cash receipts and available funding may have disclosed the override in a timely manner.

Effect

As a result, MDE misused approximately, \$3.9 million of Title I program funds in July 2016 (subsequent fiscal year). The funds were repaid during FY 17 by transferring 21st Century funds to the Title I program.

MDE charged unallowed program expenditures to the Title I and incorrectly drew the funds from USDE. Current procedures did not prevent or detect the misuse of federal funds in a timely manner. MDE is required to use reimburse the Title I program using MDE's general funds.

Recommendation:

MDE should review and enhance current procedures to avoid a reoccurrence. The procedural updates should (at a minimum) provide a protocol for the Office of Accounting in regards to making changes to approved payment requests (MAGIC internal order, payee, dollar amount, etc.). If a change is requested, the Office of Accounting should not process the request until a changes have been approved by the designated parties. The Department should make the proper changes, obtain approvals and resubmit to the Office of Accounting. If the Office of Accounting is unable to process the request due to unavailable program funds, the resubmitted request should be (at a minimum) reviewed and approved by the Director of the Office of Accounting, the Chief Operations Officer, the Program Chief and the applicable program Executive Director.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

MDE should require federally supported programs to reconcile expenditures, cash receipt and available funds on a monthly basis (no later than quarterly) to identify errors and potential financial concerns in a timely manner. Evidence of the review and conclusions reached should be documented and readily available.

Repeat Finding

No

**Statistically Valid
Views of responsible
officials**

N/A

See additional comments in the Corrective Action Plan in this audit report.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SUBRECIPIENT MONITORING – SUB AWARD

***Non-compliance
Significant Deficiency, Internal Control***

2016-039 Internal controls over sub awards should be reviewed to ensure that the sub awards include all federal compliance requirements.

CFDA Number 84.010 – Title I, 84.367 – Title II

Federal Award Title I - ES010A130024, ES010A140024
Title II - ES367A130023, ES367A140023, ES367A150023

Federal Agency U.S. Department of Education

Pass-through Entity N/A

Questioned Costs None noted. The requirement does not affect allowable costs.

Criteria Control: Per 2 CFR section 200.303 - internal controls must be established and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Compliance: Per 2 CFR section 200.331 – Requirements for Pass Through Entities, the pass through entity (PTE) should ensure that every subaward is clearly identified to the subrecipient as a subaward and includes certain data elements at the time of the subaward; and, if any of these data elements change, include the changes in subsequent award modification. When some of this information is not available, the PTE must provide the best information available to describe the Federal Award and subaward. The data elements must include CFDA number and name and the PTE must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.

Condition During our testing, we noted that the grant agreements for 18 Title I and 18 Title II subrecipients (District) did not contain the required award identification information as identified in 2 CFR 200.331. The Office of Federal Programs (the Office) issues an allocation worksheet to the Districts which identifies the District’s funding for

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

the Title I, II, III, VI, and X programs. The allocation worksheet does not meet the compliance requirements for sub recipient sub awards.

The Office requires each district to complete an annual consolidated application which identifies the program (Title, CFDA and award period), program objectives, goals and metrics. The consolidated application is approved and is a program tool for the Districts. However, the actual award notice to the Districts is an allocation worksheet, which is non-compliant and does not cross reference the annual consolidated application, linking the application as part of the sub award.

Cause The Office did not update the Districts' sub awards to include all of the required information in accordance with Uniform Guidance.

Effect The sub award is not in compliance with federal requirements.

Recommendation: The annual consolidated application process ensures that the program information and requirements are communicated and addressed by the Districts. However, the sub award is the official notice of funds to the Districts and should clearly state the required terms of the award; cross references to additional program requirements, assurances, etc., should be identified in the sub award as well.

We recommend the Office review the subaward requirements under Uniform Guidance and incorporate the requirements into the subaward process.

Repeat Finding No

Statistically Valid 18 out of 18 Title I and 18 out of 18 Title II District sub awards selected for testing were not in compliance with federal requirements.

Views of responsible officials See additional comments in the Corrective Action Plan in this audit report.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SUBRECIPIENT MONITORING – SUB AWARD

***Non-compliance
Significant Deficiency, Internal Control***

2016-040 Internal controls over sub awards should be reviewed to ensure that the sub awards include all federal compliance requirements.

CFDA Number 84.048 – Career and Technical Education

Federal Award EV048A140024, EV048A150024

Federal Agency U.S. Department of Education

Pass-through Entity None

Questioned Costs None noted. The requirement does not affect allowable costs.

Criteria Control: Per 2 CFR section 200.303 - internal controls must be established and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Compliance: Per 2 CFR section 200.331 – Requirements for Pass Through Entities, the pass through entity (PTE) should ensure that every subaward is clearly identified to the subrecipient as a subaward and include certain data elements at the time of the subaward; and, if any of these data elements change, include the changes in subsequent award modification. When some of this information is not available, the PTE must provide the best information available to describe the Federal Award and subaward. The data elements must include CFDA number and name and the PTE must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Condition	<p>During our testing, we noted that the sub awards for 4 out of 4 subrecipients (District) did not contain the required award identification information as identified in 2 CFR 200.331. The Office of Career and Technical Education (the Office) sends an electronic funding approval notice to the Districts; the funding notice does not meet the compliance requirements for sub recipient sub awards.</p> <p>The Office requires each district to complete a multi-year application which identifies the program (Title, CFDA and award period), program objectives, goals and metrics. The consolidated application is approved and is a program tool for the Districts. However, the actual award notice to the Districts is the approved funding notice, which is not compliant and does not cross reference the multi-year application, linking the application as part of the sub award.</p>
Cause	<p>The Office did not update the Districts' sub awards to include all of the required information in accordance with Uniform Guidance.</p>
Effect	<p>The sub award is not in compliance with federal requirements.</p>
Recommendation:	<p>The multi-year application process ensures that the program information and requirements are communicated and addressed by the Districts. However, the sub award is the official notice of funds to the Districts and should clearly state the required terms of the award; cross references to additional program requirements, assurances, etc., should be identified in the sub award as well.</p> <p>We recommend the Office review the subaward requirements under Uniform Guidance and incorporate the requirements into the subaward process.</p>
Repeat Finding	<p>No</p>
Statistically Valid	<p>4 out of 4 District sub awards selected for testing were not in compliance with federal requirements.</p>
Views of responsible officials	<p>See additional comments in the Corrective Action Plan in this audit report.</p>

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

REPORTING

Significant Deficiency, Internal Control

2016-041 Internal controls over reporting should be strengthened to ensure that supporting documentation is maintained in accordance with federal and state retention policies.

CFDA Number 84.048 – Career and Technical Education

Federal Award EV048A140024, EV048A150024

Federal Agency U.S. Department of Education

Pass-through Entity None

Questioned Costs None noted. The requirement does not affect allowable costs.

Criteria Control: Per 2 CFR section 200.303 - Internal Controls Must be Established and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Condition The financial data for the interim FSR did not agree to supporting documentation. We selected 2 FSRs for testing and agreed the financial data to MAGIC. The following differences were noted for one of the reports tested:

<u>Expenditure Category</u>	<u>Interim FSR</u>	<u>Supporting Documentation</u>	<u>Variance</u>
Administration	\$473,624	\$422,651	\$50,973
Post-Secondary	\$5,268,778	\$4,642,479	\$626,299
Secondary	\$5,771,807	\$5,550,771	\$221,036
Non Traditional	\$60,000	\$72,133	(\$12,133)
Leadership	\$1,126,600	\$286,077	\$840,523

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Cause	The Department of Education's building was subject to heavy smoke and water damage due to a fire at an adjoining building. As a result, the Office of Career and Technical Education (the Office) lost program and financial documents that were maintained in the building. The Office attempted to recreate the financial data but due to the implementation of a new state-wide financial system, some grant activity was not recorded to a specific grant and was identified as NRGRANT.
Effect	The Office is unable to support the financial data reported on the interim FSR.
Recommendation:	We recommend the Office inquire about electronic storage methods to prevent loss of documentation in the future.
Repeat Finding	No
Statistically Valid	1 out of 2 FSRs selected for testing did not agree to the supporting documentation.
Views of responsible officials	See additional comments in the Corrective Action Plan in this audit report.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SUB RECIPIENT MONITORING

Scope Limitation- Material Weakness

Material Non-compliance

2016-042	<u>Internal controls over reporting should be strengthened to ensure that supporting documentation is maintained in accordance with federal and state retention policies.</u>
CFDA Number	84.287 – 21 st Century Community Learning Centers
Federal Award	ES287C130024, ES287C140024
Federal Agency	U.S. Department of Education
Pass-through Entity	N/A
Questioned Costs	Undetermined, based on the lack of documentation we can't determine questioned costs.
Criteria	<p>Control: Per 2 CFR section 200.303 - Internal Controls Must be Established and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.</p> <p>Compliance: Per 2 CFR section 200.331 – Requirements for Pass Through Entities, the pass through entity (PTE) requires the PTE to:</p> <ol style="list-style-type: none">1. Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.2. Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.3. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes,

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

4. Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

Compliance: Per 2 CFR section 200.331, Retention requirements for records - Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities.

Condition

During our testing of 17 subrecipients, we noted that documentation supporting subrecipient sub assessment, award and monitoring activities were either not provided or incomplete. The Office procedures require each subrecipient to prepare a proposal in response to the RFP. The proposals are evaluated/scored/approved and sub awards are issued to the subrecipients. The proposal is part of the grant award as it contains program objectives, requirements, subrecipient suspension and debarment attestation, and program budget (including matching requirements). Based our audit the following was noted:

1. Subrecipient Proposal- The 21st century community learning center FY 16 proposal package (includes federal program CFRs, program requirements/objectives budget (matching requirements) needs assessment, attestation to suspension and debarment), participation letter, conflict of interest was not provided for the following 3 subrecipients:
 - a. Boys & Girls Clubs of Central MS-Sykes Unit,
 - b. Mississippi Community Education Center, and
 - c. Back to Basics.

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

2. Subrecipient Assessment- 21st Century Community Learning continuation application review sheet for FY 2016 was either not provided or signed for the following 16 subrecipients:

Not Provided:

- a. Jackson Public School District,
- b. Boys & Girls Clubs of Central MS-Sykes Unit,
- c. Boys & Girls Community Learning Center,
- d. Mississippi Community Education Center,
- e. Back to Basics,
- f. Montgomery MDE School District,
- g. Southern Dropout Prevention Alliance,
- h. Baldwin School District,
- i. Leadership Next-Generation Plus, Inc.,
- j. Perry MDE School District,
- k. Real Faith Christian Church.

Not signed (incomplete):

- l. Chicksaw MDE School District,
- m. Scientific Research (SR1)-Canton (not signed),
- n. Scientific Research (SR1) Ridgeland (not signed),
Scientific Research (SR1) Forest (not signed),
- o. Walthall MDE Schools, and
- p. Winona School District (not signed).

3. Subrecipient Subward – DUNS was not provided or identified on the sub award for all 17 subrecipients. The sub award was not provided for FY 2016 for the following 6 subrecipients:

- a. Mississippi Community Education Center- last issued 2013,
- b. Scientific Research (SR1)-Canton – last issued 2014,
- c. Scientific Research (SR1) Ridgeland – last issued 2014,
- d. Scientific Research (SR1) Forest – last issued 2014,
- e. Winona School District – last issued 2014, and
- f. Back to Basics – last issued 2014.

4. Subrecipient Monitoring- Documentation of subrecipient monitoring consisted of a “yes/no” checklist; identification of documentation reviewed as part of the monitoring process was identified. The monitoring checklist was not provided for the following 4 subrecipients:

- a. Chicksaw MDE School District,
- b. Boys & Girls Clubs of Central MS-Sykes Unit,
- c. Boys & Girls Community Learning Center, and
- d. Back to Basics.

Due to the lack of monitoring documentation, we could not determine if the subrecipients listed above were monitored in accordance with the Office’s procedures.

**MISSISSIPPI DEPARTMENT OF EDUCATION
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YEAR ENDED JUNE 30, 2016**

Cause	<p>The Department of Education’s building was subject to heavy smoke and water damage due to a fire at an adjoining building which contributed to the destruction of subrecipient proposals and MDE’s sub recipient assessment.</p> <p>In addition, the Office of Federal Programs experienced turnover and documentation was lost during the transition.</p>
Effect	<p>The Office cannot support its assessment, subaward and monitoring of subrecipient activities which may cause the grantor to question costs.</p>
Recommendation:	<p>We recommend the Office review the current procedures for maintaining subrecipient documentation to ensure documentation is maintained in accordance with the State and federal retention policy. The procedures should identify where documentation is maintained, who has access to the retained documents and if the documents are maintained in electronic or paper format.</p>
Repeat Finding	<p>No</p>
Statistically Valid	<p>Refer to the condition.</p>
Views of responsible officials	<p>See additional comments in the Corrective Action Plan in this audit report.</p>

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2016**

2014-006 Controls Should Be Strengthened in the Office of Child Nutrition over Federal Funding Accountability and Transparency Act (FFATA) Reporting to Ensure Compliance with Federal Reporting Requirements

- 10.553 School Breakfast Program (SBP)
- 10.555 National School Lunch Program (NSLP)
- 10.556 Special Milk Program for Children (SMP)
- 10.558 Child and Adult Care Food Program
- 10.559 Summer Food Service Program for Children (SFSPC)

Current Status: **Partial**

Planned corrective action: The Office of Technology and Strategic Services (OTSS) completed changes to OCeaN system to prevent reporting errors. OTSS also implemented a change control management procedure to document change requests to the system. Further, the Office of Child Nutrition, working with OTSS and the Mississippi Department of Information Technology Services, has procured and implemented a state of the art contract and claims system that has replaced OCeaN.

2014-008 Controls Should Be Strengthened over Payments Made to Subrecipients of the Child Nutrition Cluster and Child and Adult Care Food Programs

- 10.553 School Breakfast Program (SBP)
- 10.555 National School Lunch Program (NSLP)
- 10.556 Special Milk Program for Children (SMP)
- 10.558 Child and Adult Care Food Program
- 10.559 Summer Food Service Program for Children (SFSPC)

Current Status: **Corrected**

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

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

Current Status: **Corrected**

**MISSISSIPPI DEPARTMENT OF EDUCATION
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2016**

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

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

Current Status: **Corrected**

CORRECTIVE ACTION PLANS



MISSISSIPPI DEPARTMENT OF EDUCATION

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

March 28, 2017

Single Audit Findings

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

Dear Mr. Pickering:

In accordance with your correspondence dated March 20, 2017, the Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the single audit findings for the fiscal year ending June 30, 2016.

AUDIT FINDINGS:

Allowable Cost and Activities

84.010 Title I

2016-038 Internal controls over posting federal program costs to the general ledger should be strengthened.

Response: The MDE acknowledges that unallowed costs were charged to the Title I program, and steps are being implemented to prevent this from reoccurring.

Corrective Action Plan:

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

Upon discovery, the MDE immediately required that any recoding or adjustments for payments be approved by members of the Executive Leadership Team before payments were finalized. In addition, MDE initialized a comprehensive review of

current processes and procedures to ensure that this would not reoccur. The procedures are being documented and will include approval levels up to and including the Chief of the respective bureau and the Chief Operations Officer. Currently, a form is being drafted to document the approvals at all levels to ensure that no adjustments or recoding occurs without final approval from the respective Chiefs. In addition, the agency has contracted with an outside Consultant to provide consultation services to revise and align MDE Policies and Procedures with the Mississippi Accountability System for Government Information and Collaboration (MAGIC). To ensure that the agency has a person on staff dedicated specifically to monitoring compliance, the Chief Operations Officer will be realigning the Operations department and designating someone on staff as a Compliance Manager. In addition, the Department of Finance and Administration has agreed to assist the agency as needed and to provide a member of their staff to facilitate training as necessary with MAGIC.

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

Felicia Gavin, Ph.D. – Chief Operations Officer

C. Anticipated completion date for corrective action.

June 30, 2017

Subrecipient Monitoring – Sub Awards

84.010 Title I and Title II

2016-039 Internal controls over sub awards should be reviewed to ensure that the sub awards include all federal compliance requirements.

Response: The Office of Federal Programs (OFP) concurs with this finding and is implementing the appropriate corrective action to meet the tenants of the law.

Corrective Action Plan:

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

The Office of Federal Programs (OFP) developed a Federal Award Notification template in December 2016 that the CliftonLarsonAllen firm reviewed for compliance with the Uniformed Grant Guidance. The OFP has begun using this template to create the Federal Award Notifications for all FY17 Final Allocations. These notices will be posted on the Federal Programs webpage, and uploaded into the Mississippi Comprehensive Automated Performance-based System (MCAPS), annually.

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

Elisha Campbell, Fiscal Director, Office of Federal Programs

C. Anticipated completion date for corrective action.

July 1, 2018

Subrecipient Monitoring – Sub Awards

84.048 Career and Technical Education

2016-40 Internal controls over sub awards should be reviewed to ensure that the sub awards include all federal compliance requirements.

Response: The Career and Technical Education (CTE) grant award is a five-year grant (2008-2012) that has been extended annually by Congress over the last five years in the absence of federal reauthorization. Initially, subrecipients submitted to the Mississippi Department of Education (MDE) a five-year local plan application (2008-2012) that contained federal compliance requirements. The approved local plan application became the official grant award for subrecipients. The application acknowledged that the grant period covered Federal Program Years 2008-2012, and allocations would be made each year with the submission of a Local Plan Update (LPU). Based on the May 2016 federal review of CTE, MDE made changes to the local plan application and those changes were subsequently approved. MDE recognizes the need to strengthen annual LPUs (sub awards) and have addressed this finding in sub awards being issued for FY 2018.

Corrective Action Plan:

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

The Office of Career and Technical Education (OCTE) revised its annual sub award documentation (Local Plan Update-LPU) and funding notifications to meet Uniform Grant Guidance. These documents have been uploaded into Lotus Notes, the CTE federal grants management system. The OCTE will require subrecipients to use the revised Local Plan Update (LPU) beginning with their April 2017 submission.

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

Mike Mulvihill, Director of Career and Technical Education

C. Anticipated completion date for corrective action.

April 18, 2017

Reporting

84.048 Career and Technical Education

2016-41 Internal controls over reporting should be strengthened to ensure that supporting documentation is maintained in accordance with federal and state retention policies.

Response: The Career and Technical Education (CTE) federal grant is a formula grant with six subcategories of funding. In previous years, the Office of Career and Technical Education (OCTE) used reports generated through Mississippi Executive Resource Library and Information Network (MERLIN), an electronic data warehouse of accounting, to provide accurate supporting documentation for financial status reports. Effective July 1, 2014, MERLIN was replaced by Mississippi's Accountability System for Government Information and Collaboration (MAGIC). The new system did not have any report type available to provide the needed documentation, nor did MDE staff have the capability to create a similar MERLIN report from MAGIC. The OCTE used internal expenditure records as supporting documentation to prepare the interim financial status report. Following the fire at Central High School on July 19, 2015, many of those internal records were destroyed.

To strengthen internal controls for reporting, subcategories have been created in MAGIC. Therefore, recently submitted financial status reports accurately reflect the supporting documentation pulled from MAGIC. Also, an electronic records retrieval system will be used for storing all financial documentation.

Corrective Action Plan:

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

To strengthen internal controls, the Mississippi Department of Education has incorporated a more thorough review process for CTE financial status reports by ensuring that reports are reviewed independently by the Office of Accounting prior to submission. Also, to ensure that records are maintained, an electronic records retrieval system will be used to store all supporting documentation for federal financial status reports.

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

Mike Mulvihill, Director of Career and Technical Education

C. Anticipated completion date for corrective action.

June 30, 2017

Reporting

84.287 21st Century Community Learning Centers

2016-42 Internal controls over reporting should be strengthened to ensure that supporting documentation is maintained in accordance with federal and state retention policies.

Response: Following the fire, smoke, and subsequent water damage at the Central High School Building on July 19, 2015, the Office of Federal Programs (OFP) lost documents due to water damage. Additionally, due to damage in the office space assigned to OFP and the department, the entire MDE staff and offices were relocated offsite and only permitted to take a limited number of files and supplies due to limited space. The damage was so extensive that staff members within the Office of Federal Programs were only allowed a half day to retrieve items from their work areas. As a result of the fire, the OFP was relocated several times.

New leadership was assigned to the OFP which includes a Bureau Manager who provides oversight to the programs housed within the office and a Director of Finance. In addition, the 21st CCLC Program was assigned new staff. Through the work of the OFP staff, the files for the 21st CCLC program were methodically assessed for completeness. The staff is continuing the attempt to reconstruct the files.

OFP recognizes the value of maintaining electronic records to verify and ensure record retention.

Corrective Action Plan:

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

The Office of Federal Programs (OFP) has begun maintaining electronic copies of all official documents. To achieve this process OFP staff members are required to save all official correspondence with subrecipients electronically. Written internal protocols for document retention will be developed in conjunction with the Office of Technology and Strategic Services.

Stacey E. Pickering

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March 28, 2017


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

Quentin Ransburg, Director of Federal Programs

C. Anticipated completion date for corrective action.

July 1, 2018

Sincerely,

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

Carey M. Wright, Ed.D.

State Superintendent of Education