

**AGENCY ASSESSMENT**  
**MISSISSIPPI DEPARTMENT**  
**OF MARINE RESOURCES**

June 17, 2013



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June 17, 2013

Mr. Jamie Miller, Executive Director  
Mississippi Department of Marine Resources  
1141 Bayview Avenue  
Biloxi, MS 39530

Dear Mr. Miller:

We have concluded our Agency Assessment ("Assessment") of the Mississippi Department of Marine Resources ("MDMR" or "Agency") in accordance with our contract dated April 21, 2013. In performing our assessment, we utilized the support and assistance of the Mississippi Office of the State Auditor.

As outlined in the contract, our assessment was focused on the current state of MDMR's operations, internal controls and structure. During the course of our assessment, we identified recommendations to improve the overall effectiveness of MDMR's operations, internal controls and structure through the development and implementation of improved policies and procedures throughout the Agency. These recommendations should be reviewed by Executive Management with the view of prioritizing the areas of greatest risk that inhibit the Agency from being transparent and accountable to the public.

Given the scope of our contract and the nature of the issues identified, it is possible that there are other areas of weakness and opportunities for improvement that were not identified in our report. Additionally, this engagement is not intended to provide an opinion on the Agency's operations, internal controls, or structure, in whole or in part, and the operations, structure and implementation and monitoring of the Agency's internal controls are the sole responsibility of management.

We were not engaged to investigate any potential or alleged criminal acts or past indiscretions at the Agency. We understand that the Mississippi Office of the State Auditor in conjunction with coordinating federal agencies is actively conducting those investigations.

We appreciate the opportunity to be of service to MDMR and look forward to discussing the results of our report with you further.

Sincerely,

HORNE LLP

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## I. EXECUTIVE OVERVIEW

The objective of our Agency Assessment was to identify, measure and analyze the risks, internal and external, controllable and uncontrollable, at the individual business process level and for the Agency as a whole. It is the responsibility of MDMR Management to assess all risks facing the state Agency because uncontrolled risk-taking can prevent MDMR from complying with applicable laws and regulations and, thus, jeopardize its mission.

We have defined risk as anything that may impede MDMR from complying with applicable laws and regulations, as well as general statutes governing all agencies. The risk components addressed by our Agency Assessment include reporting, operational, strategic, technology, legal, fraud and compliance risk.

The risk components are defined as follows:

- **Reporting Risk** – Risk that financial and regulatory reports are not properly prepared arising from fraudulent, incomplete and/or inaccurate information.
- **Operational Risk** – Impact on revenues and net assets from problems encountered in processing transactions. Potential that inadequate information system, operational problems, control breaches or fraud will result in unexpected losses.
- **Strategic Risk** – Risk to revenues and funding arising from adverse Agency decisions or improper implementation of those decisions, including the potential that a state Agency will be unable to meet obligations due to inability to obtain funding. Impact of management's interpretation of external factors that affect the strategic direction of the Agency and its ability to fulfill its mission.
- **Technology Risk** – Risk associated with the use, ownership, operation, involvement, influence and adoption of technology with the Agency.
- **Legal Risk** – Impact of unenforceable contracts, lawsuits or adverse judgments, which can disrupt or otherwise negatively affect the Agency's operations or condition.
- **Fraud Risk** - Risk arising from a person intentionally using deception to cause the Agency to suffer loss.
- **Compliance Risk** - Risk to revenues and funding arising from violations or nonconformance with laws, rules, regulations, prescribed practices or ethical standards.

When determining what factors to use in assessing risks, it is important to consider both the inherent and residual risks.

- **Inherent Risk** – The risk of providing a specific product or service. The risk that inherently exists due to the nature of the transaction, environment or other factors.
- **Residual Risk** – The risk that remains after accounting for controls that management has implemented to mitigate the inherent risk associated with a particular activity.

A summary of the overall risk assessment level for each identified significant Agency component, as well as the individual business process assessed risk level, is shown below for MDMR:

<b>Review Area</b>	<b>Residual Risk</b>
<b>OVERALL: AGENCY GOVERNANCE</b>	<b>High</b>
Oversight Activities	<b>High</b>
Internal Control Assessments	<b>High</b>
<b>OVERALL: ACCOUNTING AND REPORTING</b>	<b>High</b>
Budgeting	<b>High</b>
Sales and Cash Receipts	<b>High</b>
Procurement and Purchasing	<b>High</b>
Inventory and Fixed Assets	<b>High</b>
State Reporting	<b>High</b>
<b>OVERALL: GRANTS MANAGEMENT AND COMPLIANCE</b>	<b>High</b>
Grants Management and Compliance	<b>High</b>
<b>OVERALL: AGENCY ADMINISTRATION</b>	<b>High</b>
Organizational Structure and Staffing	<b>High</b>
Payroll and Travel	<b>High</b>
<b>OVERALL: PUBLIC AFFAIRS</b>	<b>High</b>
Public Affairs	<b>High</b>
<b>OVERALL: INFORMATION TECHNOLOGY</b>	<b>Moderate</b>
Information Technology	<b>Moderate</b>

Detailed analyses of each Agency component are included in Sections II-VII of this report. The results of the review were used in determining appropriate recommendations and corrective actions necessary for remediating the identified risks and deficiencies within MDMR. The following highlights some of the principle observations identified through our assessment:

- Outdated policies and procedures that are inconsistent with current laws and regulations, as well as current practices within the Agency;
- Inadequate reporting to the Commission for appropriately fulfilling their oversight responsibilities;
- Inadequate or non-existent oversight over key functions and departments, including grant management and compliance;
- Lack of communication and appropriate training throughout the Agency;
- Lack of consistent and transparent communication with the public;
- Inadequate internal control structure, as well as related assessment and monitoring activities, which are non-compliant with current DFA requirements.

The depth and significance of the deficiencies identified in our assessment will require an extensive amount of time and assistance for MDMR to appropriately and adequately remediate. We did note during our assessment that the new Executive Director had already identified several of the key deficiencies and already has plans in place to address them.

## II. AGENCY GOVERNANCE

### OVERVIEW

The Agency environment consists of governance-related processes, including the following:

- Oversight Activities
- Internal Control Assessments

### *Oversight Activities*

The Mississippi Commission on Marine Resources (the "Commission") was created and authorized as defined in Miss. Code Ann. §49-15-301 and §49-15-303 to regulate all matters pertaining to saltwater aquatic life and marine resources and to provide guidance to the Executive Director in the operation of MDMR. In addition, the Commission was established to administer the Coastal Wetlands Protection law and the Public Trust Tidelands Act.<sup>1</sup> Miss. Code Ann. §49-15-303 defines the powers and duties of the Commission on Marine Resources as the following:

- (a) To formulate the policy of the department regarding marine resources within the jurisdiction of the department;
- (b) To enter into and authorize the executive director to execute contracts, grants and cooperative agreements with any public or private institution, federal or state Agency or any subdivision thereof to carry out the duties of the commission;
- (c) To adopt, amend or repeal such rules and regulations necessary for the operation of the commission and the department; and
- (d) To discharge such other duties and powers as are necessary to implement state policy regarding marine resources.

The Commission meets on a monthly basis, whereby, a majority, constituting a quorum, is present in order to transact routine business. The Commission Meetings are conducted by an acting Chairman in a manner as defined by Miss. Code Ann. §49-15-301 and §49-15-303. In addition, the Commission has the authority to request special meetings and conduct executive sessions, if necessary, for the transaction of public business as permitted in Miss. Code Ann. §25-41-7, as amended. The public has access to the Commission on all matters within the Commission's purview. In addition, MDMR maintains accurate written minutes of all regular or special meetings, which are available for public inspection through the Agency's website.

The Commission maintains an Administrative Handbook to provide additional guidance to the Commission and Executive Director to address the general authority, function, policy and operating principles of the Agency. Among other authorities and functions of the Commission, the Administrative Handbook discusses the Commission's responsibility for establishing adequate controls through periodic reports from the Executive Director sufficient to ensure the following:

<sup>1</sup>The administration of the Tidelands Act (Miss. Code Ann. §29-15-1, et seq) is in conjunction with the Secretary of State.



- (a) all legal requirements, as set forth in statutes, rules and regulations are met;
- (b) established goals and objectives of the department are met;
- (c) approved policies are adhered to; and
- (d) adequate performance in all program areas is attained.

The Executive Director of the Agency is charged with the responsibility of managing and carrying out all policies and procedures as adopted by the Commission, as well as for informing the Commission of all plans and programs of the Agency. Recently, the Commission appointed a new Executive Director who is working to establish transparency and accountability within the Agency, as well as to ensure the public remains informed of the goals, objectives, plans and activities of the Commission and the Agency. In addition, the Executive Director has promoted the importance of creating and supporting an atmosphere of teamwork, integrity and shared organizational values within the Agency.

MDMR's policies and procedures manual includes specific policies which are outdated and inconsistent with current laws, regulations and other practices as applied throughout MDMR. MDMR does rely on the Mississippi State Employee Handbook provided through the Mississippi State Personnel Board's website for employee policies and procedures, whereby, the Agency routinely notifies and requires all employees to sign and acknowledge acceptance and compliance of the contents on a periodic basis as updates are provided within the handbook. The Human Resources Department administers the process of notifying all department heads and employees, as well as maintaining documentation within each personnel file. The Handbook serves as a general guide for all State employees placed under the purview of the Mississippi State Personnel Board by Mississippi Code Annotated §25-9-101.

The establishment of a Code of Ethical Conduct is a critical part to serving the public interest as employees are held to the highest ethical standards and are obligated and accountable to those whom they serve. MDMR and the Executive Director are charged with the responsibility of actively and continually supporting a culture that encourages integrity, competence, professionalism and ethical values for those whose responsibilities include the administration of state assets. Although the Agency has established a Code of Ethical Conduct for all employees, as well as a specific Code of Ethical Conduct for the Accounting and Finance Department, neither document was displayed in prominent areas to be readily and regularly seen by the employees.



### *Internal Control Assessments*

The Mississippi Department of Finance and Administration (the "DFA") recognizes the Agency's responsibility for implementing and assessing risks regarding internal controls encompassing all fiscal programs and related activities. Therefore, the Executive Director is responsible for assuming ownership, whereas, the individual Agency executives and managers are responsible for supporting the internal control philosophy, promoting compliance and maintaining control within their respective areas of responsibility. The reporting on internal controls is based on the annual internal control assessments as performed by the individual departments and certified by the Executive Director and the Agency's Financial Management to the DFA regarding overall compliance. In addition, the Agency is required to maintain adequate written documentation for activities conducted in connection with risk assessments, internal control reviews, and corrective actions, if applicable, to be available for review by the Agency, the State Auditor and the DFA.

MDMR assigns and performs risk assessments regarding the internal control environment and control activities over Agency-level, process-level and transaction-level activities, including information and communication, and monitoring on an annual basis using the exhibits as provided by the DFA. However, the department only has six individuals performing the respective internal control assessments for all sixty-six exhibits. In addition, the Agency does not maintain adequate written, supporting documentation for the activities conducted in connection with the internal control assessments as the assessments are completed based on previous knowledge and experience. Specifically, the individual departments did not perform additional testing to obtain assurance regarding the controls' operating effectiveness and did not maintain any documentation concerning material internal control weaknesses and significant deficiencies, as well as corrective action plans, if applicable. In addition, negative responses identified per the internal control assessments provided minimal explanation or documentation, and the personnel in charge of monitoring, reviewing and reporting on assessment results did not sufficiently follow-up or provide additional consideration of negative responses.

MDMR's management is responsible for ensuring the individuals performing the assessments have the appropriate background, experience and training and that instructions provided are clear so that respondents provide meaningful feedback. The Agency is also required to develop and maintain a written internal control plan, which is comprehensive to encompass all components of an Agency's internal controls (i.e. control environment, risk assessment, control activities, information and communication, and monitoring, etc.). In addition, the Executive Director should designate a senior manager as an internal control officer to be responsible for coordinating the overall Agency-wide effort of evaluating, improving and reporting on internal controls. However, MDMR does not have a designated senior manager identified as an internal control officer, and there is no written internal control plan in place.

### **INTERNAL CONTROL OBSERVATIONS**

- In performing their responsibilities, the Commission holds monthly meetings to review the monthly activity of MDMR. However, we noted that information is not requested nor provided to the Commission for them to fulfill their responsibilities in establishing adequate controls to ensure that MDMR is complying with all legal requirements, meeting established goals and objectives, adhering to approved policies and attaining adequate performance in all program areas.
- An analysis of the MDMR Policies and Procedures Manual revealed that the Agency's policies and procedures are outdated and possibly in conflict with relevant state and federal laws and established Mississippi State Personnel Board and DFA policies and procedures. This creates a significant risk in the misapplication of policies and procedures and facilitates a culture of confusion and conflicting communication.
- The Agency's Code of Ethical Conduct for all employees was not displayed in prominent areas to be readily and regularly communicated to employees. However, MDMR does require all employees to sign an annual acknowledgement form regarding the Code of Ethical Conduct that is maintained within the Human Resources Department.
- The Agency has inadequate processes for performing the internal control assessments of the sixty-six areas outlined and required by DFA. In that regard, they do not maintain adequate written supporting documentation regarding the internal control assessments and have not designated a senior manager as their internal control officer. In addition, they do not have a written internal control plan as required to ensure their compliance with the DFA requirements.



## RECOMMENDATIONS FOR IMPROVEMENT

- A review of the Administrative Handbook of the Mississippi Commission on Marine Resources showed the need to update and modify several sections to ensure that all policies contained therein are current as well as legally compliant.
- The Commission should perform a review of their processes and procedures and adopt best practices such as (1) the establishment of dedicated committees to different facets of the agency to promote closer oversight and coordination, and (2) a semi-annual work session to refine the Agency's strategic plan and adopt annual work plans
- The Commission should incorporate the following reviews as part of their monthly meetings: annually review the policies and procedures of MDMR to ensure their completeness and appropriateness, monthly review of budget to actual reports, restricted and unrestricted cash balances, results of any audits performed by federal and state agencies, and current status of grants and programs. The Commission should also review all significant property and equipment procurements to ensure the necessity, appropriateness and regulatory compliance of the respective procurements.
- The Agency's Executive Management, including the participation of certain office(s) and bureau(s), should perform a thorough review and complete overhaul of existing policies and procedures in order to reflect current laws, regulations and other practices applied throughout the Agency. For those policies and procedures that overlap the relevant Mississippi State Personnel Board policies and procedures, it is recommended that the Agency simply refer employees to the Mississippi State Employee Handbook, which is readily accessible on the Mississippi State Personnel Board website at [www.mspb.ms.gov](http://www.mspb.ms.gov). For those policies and procedures that overlap the relevant DFA's policies and procedures, it is recommended that the Agency incorporate the relevant DFA policies and procedures into the Agency's policies and procedures manual. Furthermore, departmental standard operating procedures (SOPs) should be updated at the Agency level in order to address the specific mission and organizational structure of the Mississippi Department of Marine Resources.
- The Agency's Executive Management should consider re-implementing a Policies and Procedures Executive Committee to perform annual reviews and/or evaluations of the Agency's policies and procedures in order to sufficiently monitor and ensure consistent process application reflecting current laws, regulations and other practices applied throughout the Agency.
- MDMR should establish an Ethics Hotline for all employees to report anonymously and confidentially any unethical behavior being observed within the Agency.
- The Code of Ethical Conduct should be displayed in prominent areas throughout the Agency and should be easily accessible to all employees.



- The Agency should designate a senior manager as the internal control officer to maintain responsibility for coordinating the overall Agency-wide effort of evaluating, improving and reporting on internal control. In addition, the internal control officer should establish a staffing plan for the assessments and reviews, whereby, personnel with the most appropriate background, experience and training are performing the assessments and reviews.
- The internal control officer should report results to the Policies and Procedures Executive Committee suggested above. The Agency should also develop a written internal control plan that contains: policy and procedures manuals, flowcharts of financial processes, Agency mission statements, an affirmation signed by the Agency head supporting the Agency's efforts to improve its internal control structure, and a description of how the Agency intends to monitor its internal control system. In addition, the Agency is required to maintain adequate written documentation of the activities conducted in connection with risk assessments, internal control reviews and follow-up actions to be available for review by management, the Office of State Auditor and DFA, as applicable.

### **III. ACCOUNTING AND REPORTING**

#### **OVERVIEW**

##### ***Budgeting***

The budgeting process plays a critical role in MDMR's planning for the upcoming fiscal year, as well as ensuring its ability to maintain activities throughout the year. A budget request is completed by the Director of the Administrative Services Office ("ASO"), using information gathered from Statewide Automated Accounting System ("SAAS") reports and spreadsheets maintained by the Accounting & Finance Director. The Director of ASO also sits with each department head to discuss the needs and activities of each department to determine the overall category funding allocations.

The budget request is a breakdown of MDMR's expenditure categories and funding sources by fiscal year. Within the budget request (form MBR-1), there are three columns completed for each request. The first column contains the actual funds and expenses from last fiscal year. The second column contains MDMR's current fiscal year estimates of expenditures and the respective funding for covering those expenditures. The third column is a repeat of the second column's expenditures and funding, plus any increases being requested by MDMR for the subsequent fiscal year. There are accompanying statements within the packet to provide further detail into each category and department.

Once the budget request is completed, it is reviewed and approved by the Executive Director prior to submittal to the Legislative Budget Office ("LBO"). The LBO and the State Executive Office provide recommendations after reviewing the budget request and submit a report, containing the recommendations, to the Legislature in January. The appropriation is then prepared and submitted to both, the House of Representatives and the Senate for approval. If approved by both chambers, then it is submitted to the Governor for signature. MDMR then completes the Approval of Budget Request Form (form Z-1) and submits it with a copy of the appropriation bill to the DFA, to be entered into SAAS. The Z-1 form provides the final approval for MDMR to spend the funds as appropriated.

The funding amount within the appropriation bill is made up of General Funds, Off-Road Fuel Tax and a spending authority to be used toward the MDMR's expenses, including federal grants. The spending authority is made up of revenues received directly by the Agency, such as license fees, penalties/fines, unrestricted interest, donations, etc.

The General Funds amount is deposited into the treasury account #2450 and the remaining funds, grant reimbursements and revenues received by MDMR (outside of Tidelands and bonds) are deposited into the treasury account #3450. In the upcoming fiscal year, the State is requiring the Agency to establish an additional treasury account to be used solely for federal grant activities.

### *Sales and Cash Receipts*

The State Treasurer is responsible for maintaining and segregating money received into separate funds held by the State upon timely submission of deposits by the different State Agencies to the Bureau of Financial Control (the "BFC") of the DFA. Generally, MDMR is required to deposit all funds received into the State Treasury by the end of the next business day following the date funds are collected. However, MDMR may provide for other than daily deposits of accounts as determined by the State Fiscal Officer with the advice and consent of the State Treasurer.

MDMR deposits funds directly into the State Treasury through the issuance of a cash receipt ("CR") within SAAS and submission of the funds to the BFC. The primary method for receiving funds into the State Treasury is either through wire transfers or check payments from MDMR's "collection" bank account. The Agency is provided the use of "collection" bank accounts in the event currencies, as well as personal checks, are handled on a routine basis. The bank accounts help avoid the deposit of insufficient funds into the State Treasury and are subject to periodic review and compliance by the State Auditor's Office. In addition, the Agency's bank accounts must be approved by the State Fiscal Officer and the State Treasurer.

Since wire transfers are provided directly to the BFC-DFA from the respective sources, the Administrative Services Office is notified upon receipt of funds in order that appropriate review, approval and processing procedures may take place within MDMR. The Accounting and Finance Director is the primary individual authorized to review and approve receipts into the State Treasury based on email notifications as provided from DFA. The Accounting and Finance Director is responsible for determining and designating the purpose and allocation of funds received, specifically, for reimbursements provided from federal funding sources based on the review and follow-up of information as provided by DFA. The Administrative Services Office provides the BFC-DFA all supporting documentation, including the final CR, to ensure amounts are accurately reflected within SAAS subsequent to the required processing approvals both at the Agency and state-wide levels. The Accounting and Finance Director is responsible for initially creating the CR for wire transfers, whereas, the MDMR-Marine Director I or the Chief Fiscal Officer ultimately review and approve the CR prior to final submission of the information to the BFC-DFA for entry into SAAS.

The Agency's process surrounding check processing and amounts collected directly by the Agency is similar to the process for wire transfers with the exception of amounts not being deposited directly into the State Treasury. The individual departments within the Agency are responsible for accumulating certain revenues, such as license and/or permit and shell retention revenues, and submitting the amounts to the Accounting Staff within the Administrative Services Office for independent verification and deposit into the Agency's "collection" bank accounts prior to submission to the BFC-DFA. The methods applied regarding submission and verification of Agency revenues depends on the type of revenues being collected. The following provides a description of each method applied by both the Administrative Services Office and the Marine Fisheries Office:

*On-Site Licensing Sales:*

The Marine Fisheries Office enters and submits commercial license sales, which can only be purchased on-site at the MDMR, into the DataCard ID Center Licensing System. The licensing system automatically interacts with the Agency's MS-MDMR Licensing Application, which is accessible by the Accounting and Finance Director, detailing the total amount of daily sales for the Agency. The Accounting and Finance Director reconciles total sales activity on a daily basis against the total amount of cash and checks provided by the individual clerks within the Marine Fisheries Office. Subsequent to the review and reconciliation of daily license sales to the amounts as reported within the database, the Staff Accountant will additionally reconcile cash and checks to the summary, detail and individual reports as provided by the Accounting and Finance Director. Once the total amounts are verified, the Staff Accountant prepares the deposit slip, deposits funds and provides the deposit slip and all supporting documentation to the Chief Fiscal Officer who records amounts within the accounting records and reconciles the Agency's "collection" bank account on a monthly basis.

*"Point-of-Sale" Licensing System:*

MDMR provides an outlet for transacting sales for the Mississippi Department of Wildlife Fisheries and Parks through the use of the "Point-of-Sale" Licensing System. The process regarding entering and submitting sales, as well as the overall reconciliation and review process by the Administrative Services Office is similar to the On-Site Licensing Sales with the exception that the review is not performed on a daily basis, but, rather on a weekly basis. In addition, the Mississippi Department of Wildlife Fisheries and Parks sweeps the Agency's "collection" bank account of all revenues submitted through the "Point-of-Sale" Licensing System on a weekly basis prior to re-submitting the Agency's portion of sales regarding recreational saltwater and freshwater licenses through an interagency state transfer within SAAS. In addition, the reconciliation and review process is performed by the Administrative Services Office through the review of a physical weekly summary ticket, as well as through individual receipts as submitted from the "Point-of-Sale" Licensing System.

*Permitting Revenues:*

The Projects Officer IV, Special within the Coastal Ecology Office provides the Chief Fiscal Officer all permitting revenue (i.e., permit applications, public notice fees, dredging fees and/or violation fines) on a monthly basis. The Coastal Ecology Office requires all revenue to be in the form of either checks or money orders signed to the order of the MDMR. In addition to providing the checks and money orders to the Administrative Services Office, the Projects Officer IV, Special also provides a spreadsheet from within the Permitting Database, which documents all revenues collected and submitted for each month. The Chief Fiscal Officer reconciles the total sales activity on a monthly basis against the total amount of checks and money orders provided. Subsequently, the Staff Accountant will additionally reconcile the checks and money orders to the summary spreadsheet. Once the total amounts are verified, the Staff Accountant prepares the deposit slip, deposits funds and provides the deposit slip and all supporting documentation to the Chief Fiscal Officer who records amounts within the accounting records and reconciles the Agency's "collection" bank account on a monthly basis.



Subsequent to the deposit and upon remittance of amounts to the State Treasury, the Chief Fiscal Officer will prepare and submit both the check and the initial CR for review and approval by either the MDMR – Marine Director I and/or the Accounting and Finance Director. The issuance of checks by the Agency requires two authorized signatures either by the MDMR – Marine Director I, Accounting and Finance Director and/or the Contract Analyst Senior. Similar to wire transfers, the Administrative Services Office provides the BFC-DFA all supporting documentation, including the final CR, to ensure that amounts are accurately reflected within SAAS subsequent to the required processing approvals both at the Agency and state-wide levels.

The Daily Cash Receipt Register Report is created within SAAS and submitted to the Agency subsequent to nightly processing of cash by the State Treasury. The report indicates daily deposits received and processed by the BFC. The report is included within the Cash Receipts binder within the Administrative Services Office along with any supporting documentation, if applicable. In addition, the Cash Receipts Register is submitted to the Agency on a monthly basis for all cash receipts processed within SAAS each month. Since the Agency records cash receipts at the time of collection and the BFC records cash receipts at the time of deposit, timing differences will likely be reflected on the Cash Receipts Register Report. Therefore, the Agency should utilize the respective monthly report to reconcile amounts to records maintained within the Administrative Services Office. However, the Administrative Services Office does not perform any reconciliation procedures regarding the differences in the amount of cash receipts collected to the amounts deposited into the State Treasury on a monthly basis. The reports are only maintained within the monthly SAAS binders. In addition, the Revenue Summary Table and Statement of Revenue Report are also available for the Agency's review to assist in the reporting and reconciliation of records to amounts recorded with the BFC.

#### ***Procurement and Purchasing: Procurement Purchase Card Program***

The Mississippi Office of Purchasing, Travel, and Fleet Management of the DFA is primarily responsible for regulating purchase activity and administering the Small Procurement Purchase Card Program. The Procurement Card Program was established to provide an economical means for government agencies to purchase certain commodities, repairs, or services as purchase orders are not required. The Administrative Services Office Marine Director I is responsible for the issuance of procurement purchase cards based on authorizations as provided from the individual department offices. The authorizations are typically provided through either the respective department office director or project manager, if applicable. Subsequent to the initial request, the Administrative Services Office Director completes and submits the application form to the Mississippi Office of Purchasing, Travel and Fleet Management of the DFA for approval and credit card issuance. However, the Agency has no formal process regarding physical documentation of the authorization and issuance of procurement purchase cards, including credit limits, issued for each department or project. The Administrative Services Office Director also does not receive documentation or formal request from the individual departments or personnel throughout the authorization and issuance process. In addition, the issuance of credit cards provides for no appropriate follow-up of authorizations within each department if a lower-ranking employee requests the authorization.



The Agency does not currently have a process for ensuring purchases made through the Procurement Card Program represent bona fide needs of the Agency and the program for which a purchase was made, as well as to ensure contract items are purchased only from state contracted vendors at or below the state contract price. Although the maximum single order purchase limit as established by the Mississippi Office of Purchasing, Travel, and Fleet Management is \$5,000, the Agency has the ability to establish stricter guidelines, if necessary.

The Agency's individual department offices are provided procurement purchase cards primarily for either federal or state projects and grants, whereby, the individual cardholder within each department assumes the responsibility for all purchase transactions regardless of whether an individual under their supervision purchased the goods or services at their authorization. In addition, the cardholder must provide a "Project Reconciliation Form," including all receipt documentation to the Administrative Services Office on a monthly basis for appropriate review, approval and payment processing. However, we noted a lack of oversight in managing risk as some of the departments were not performing any project management responsibilities, such as tracking fund/project expenses against the respective project or grant. In addition, MDMR does not have a formal process for performing the initial and secondary review of expenses to ensure the appropriateness of allowable vs. non-allowable expense compliance for each project or grant.

The Administrative Services Office Project Officer II, Special maintains responsibility for the review and reconciliation of the "Project Reconciliation Form" as provided by each cardholder on a monthly basis. The review is restricted to reconciling amounts to the Agency's credit card statement and for an overall reasonableness check for any unusual, significant expenses. However, the individual project managers and cardholders are responsible for ensuring compliance regarding the appropriateness of expenses for each respective grant or project. In addition, the Project Officer II, Special maintains an active listing of all procurement purchase cards issued and outstanding. However, the Agency's oversight is minimal as individual departments or offices maintain multiple procurement purchase cards and certain cardholders maintain cards for projects no longer under their authority although still retaining responsibility for the purchases incurred.

### ***Procurement and Purchasing***

The Mississippi Office of Purchasing, Travel and Fleet Management of the DFA is primarily responsible for regulating purchasing activity for both commodity purchases and rental of equipment. However, Information Technology Services, the State Personnel Board and the Attorney General's Office govern the acquisition and disposition for certain other purchases of products and services.

Section 7-7-23, Miss. Code Ann. (1972), states in part:

"Purchases of equipment, supplies, materials, or services of whatever kind or nature for any department, officer, institution, or other Agency of the state, the cost of which is to be paid from funds in the State Treasury on State Fiscal Officer disbursement warrants, may be made only by written purchase orders duly signed by the official authorized to do



so, on forms prescribed by the State Fiscal Officer. Purchases of such equipment, supplies, materials, or services, as specified herein, made without issuance of such purchase orders shall not be deemed to be obligations of the state unless the State Fiscal Officer, by general rule or special order, permits certain purchases to be made without same."

The Agency is required to issue and appropriately approve a purchase order once a purchasing decision has been made and to submit each respective purchase order to the DFA upon issuance. The DFA verifies the submitted purchase orders to ensure whether any purchase covered by an existing regulation is not in excess of the maximum fair price fixed by purchasing regulations. However, certain purchases less than \$500 not relating to State Personnel Board Contracts or IT Services do not require approval from the DFA and can be processed within SAAS through the Administrative Services Office.

The Agency's purchasing process begins with the issuance of a purchase order, which each Office Director and/or their designee is responsible for reviewing and approving prior to submission of the purchase order to the Administrative Services Office and ultimately to the DFA through SAAS. In addition to vendor specific information regarding each purchase, the initial purchasing officer should provide the grant name/number and the project identification number relating to each purchase, if applicable.

Since the designated purchasers and the Office Director or their designee from the requesting office initially review and approve the purchase orders prior to submitting documentation to the Administrative Services Office, the Accounting and Finance Director and Accounts Payable Staff place the burden of ensuring appropriate project coding and acknowledgement of allowable vs. non-allowable costs on the individual departments and purchasers. However, the individual departments and purchasers assumed the Administrative Services Office was appropriately ensuring overall purchasing and grant compliance due to their responsibilities regarding payment processing. The resulting miscommunication represents a weakness in the Agency's control structure, which provides exposure to potential fraud, waste and abuse of federal and state resources for projects with restrictions on resources.

The Agency is authorized to incur certain expenditures based on the source of funds to be expended. The basic expenditure authorities used by the Agency are appropriated, non-appropriated but allotted, and non-appropriated and non-allotted. In order to ensure accurate reporting, the Agency is provided additional appropriation/allotment reports for use in reconciling the balances maintained within SAAS to the balances maintained within the accounting records of the Administrative Services Office. The Agency issues a payment voucher ("PV") to process payments through SAAS as Section 7-7-29, Miss. Code Ann. (1972), states the following:

"No PV or request for payment drawn against any funds in the treasury shall be issued by any state Agency, official, or other person except on forms prescribed by the DFA. In addition, all PV forms shall be forwarded to the DFA together with the invoice or invoices to be paid by the PV."

Subsequent to the submission of a purchase order within SAAS and approval from the DFA, the original purchase order is signed by the Contract Analyst Senior and/or the MDMR – Marine Director I within the Administrative Services Office and the purchase order is provided to the respective vendor. Subsequent to the receipt of goods and services and upon receipt of the invoice by the Administrative Services Office, the Accounts Payable Staff will create a PV within SAAS if information per the invoice appropriately agrees with the purchase order and other purchasing documentation. The Accounts Payable Staff will provide the PV and all supporting documentation, including the purchase order and invoice, to the Accounting and Finance Director or the MDMR – Marine Director I, if applicable, for appropriate review and approval. The review and approval process is primarily restricted to verifications regarding clerical accuracy between supporting documentation and is not specific to the overall purchasing and grant compliance restrictions. Subsequently, the signed PVs within SAAS, along with all supporting documentation, are sent to the DFA for payment processing.

The State Treasury will issue a warrant if the purchase order information agrees and if the allotment balance and cash within the fund is sufficient for processing payment. However, warrants can only be issued after an itemized PV is properly approved and certified. Section(s) 7-7-1 through 7-7-79, Miss. Code Ann. (1972) provide the statutory authority concerning additional procedures regarding the issuance, canceling and replacement of warrants.

The primary method for paying funds from the State Treasury is either through wire transfers or the issuance of warrants from the State Treasury. However, the DFA must approve and authorize payments for purchases through review of all supporting documentation, including the final PV, to ensure amounts are accurately reflected within SAAS subsequent to the required processing approvals at both the Agency and state-wide levels. The DFA will process wire transfers directly to the vendors from State Treasury funds if vendors are setup for E-Payment within the SAAS System. In addition, the DFA will issue and send the Agency warrants, including the daily warrant register, for vendors not set up for E-Payment within the SAAS System. The Administrative Services Office is responsible for mailing all warrants, including copies of the invoices, to the vendors for payments. In addition, the Administrative Services Office documents the warrant number, date paid and any applicable warrant register information on each PV prior to filing information within the Agency's electronic database. The Agency is responsible for maintaining documentation of the PV, purchase order, invoice and/or bid documentation within the Administrative Services Office.

Subsequent to the processing of warrants by the State Treasury, the Payment Vouchers Activity Detail Listing by Voucher is created within SAAS and submitted to the Agency. The report is submitted to the Agency on a monthly basis detailing all PVs processed within the accounting period and whether or not amounts have been paid. The Agency should utilize the respective monthly report to reconcile amounts per SAAS to records maintained within the Administrative Services Office. In addition, the Agency is provided a Statement of Expense by Object Code by Fund on a monthly basis from within SAAS, which will assist the Agency in the reporting and reconciliation of records to the BFC. The Agency is also provided other additional reports from SAAS to be used for informational purposes such as the Daily Inter-Governmental Register by Department, the Inter-Governmental Transfer Register and certain warrant registers. The

Administrative Services Office maintains all reports within the monthly SAAS Report binders. However, the Administrative Services Office does not perform any reconciliation procedures regarding any differences in the amounts reported within SAAS by the BFC and documentation maintained by the Accounting and Finance Department.

In addition, the Bureau of Financial Reporting (the "BFR") provides the Agency with multiple reports identifying the outstanding purchase orders for each fund number of the Agency on a monthly basis, which should be utilized by the Agency to reconcile the Agency's records with the BFR and to assist the Agency in determining outstanding amounts that have not been paid. Since the Agency is required to report financial activity using the modified accrual basis of accounting, the Agency needs to analyze outstanding purchase orders to appropriately determine whether goods or services have been received and/or services have been performed. Therefore, proper and routine reconciliation processes are imperative to accurate financial reporting per state requirements.

### ***Inventory and Fixed Assets***

The Agency is responsible for reporting capital assets owned by the Agency to the Office of the State Auditor, Division of Property, on a monthly basis. Specifically, the Agency is required to report their property beginning and ending balances, as well as any monthly additions and deletions, which the State Property Office reconciles to data maintained within the statewide information system. In addition, the BFR receives information regarding the Agency's capital assets from the State Property Office on a periodic basis, which is used in preparing both interim and annual Generally Accepted Accounting Principles ("GAAP") Capital Asset reports. The respective capital asset reports should be reviewed and approved by the Agency for each reporting period.

The following highlights the classes of capital assets recognized by the State Agency in its financial reporting: buildings, construction in progress, furniture and equipment, infrastructure, land and land improvements. Capital asset useful lives are determined and assets are depreciated on fund financial statements, as well as government-wide financial statements, at the State Property Office.

The Projects Officer III, Special is the primary individual responsible for tracking and monitoring inventory and fixed assets on a monthly basis and reporting activity to the DFA. The Projects Officer internally tracks and monitors inventory and fixed assets on a routine basis through purchase orders outstanding and purchase orders processed, which are identified and documented within an internal database. On a monthly basis, the Administrative Services Office provides the Projects Officer the trial balance report reflecting only project codes relating to inventory and fixed asset purchases for the month, including copies of any related purchase orders. The respective report is used to update the Officer's internal tracking database, as well as to reconcile the database to data maintained within the statewide information system.

The officer does not report inventory amounts to the State Property Office until items have been both received and paid by the Agency. In addition, the Projects Officer is notified of inventory

receipts by either the Procurement Bureau within the Administrative Services Office or by the individual personnel responsible for the purchase within a specific department. Subsequent to receipt, the Projects Officer will appropriately identify inventory by a label and require the designated property official to sign receipt and labeling information to be maintained within the Property Office.

The Projects Officer reports activity regarding the Agency's inventory and fixed assets to the DFA on a monthly basis through GAAP Capital Asset reports, which are reviewed and approved by both the Accounting and Finance Director and the MDMR – Marine Director I. However, the review and approval process by the respective personnel within the Administrative Services Office is limited as the Projects Officer maintains ultimate responsibility for the reported information.

The Agency's fixed asset disposals are handled on an ad-hoc basis either by the respective Project Manager or the Projects Officer. However, the Projects Officer should be notified of any disposal performed by a Project Manager. The Projects Officer updates any disposal activity within the Agency's internal tracking database and the state system to ensure accurate reporting to the State Property Office. In addition, any documentation indicating appropriate authorizations from the Salvage Committee specific to certain types of disposals are communicated to the DFA on a monthly basis through the GAAP Capital Asset reports, if applicable.

Sections 29-9-1 through 29-9-21, Mississippi Code of 1972, Annotated, cover the inventory requirements for state property. Regarding annual, physical inventory procedures, the Miss. Code states the following:

**Section 29-9-1**, Mississippi Code of 1972, Annotated, states that the State Auditor of Public Accounts shall require the heads of all state agencies to make an inventory of all land, buildings, equipment, furniture and other state property owned by or under the control of the respective agencies. The inventories shall be made on forms to be prescribed and furnished by said Auditor.

The Projects Officer performs an annual, physical inventory observation for all inventory and fixed assets maintained within the Agency's internal tracking database. In addition, the Agency maintains additional policies and procedures exceeding the rules and regulations pursuant to the provisions of the Mississippi Fixed Assets Management Manual. In order to ensure the accuracy of property records and to prepare for the annual audit as performed by the State Property Office, the Agency maintains additional policies and procedures requiring the performance of random audits on a monthly basis of employee property accounts, as well as random audits of specific items to be performed on an Agency-wide level. However, the Agency does not currently perform the aforementioned random audit procedures, including procedures surrounding sensitive items susceptible to loss, theft or damage. The lack of adherence to additional, stricter policies and procedures as defined by the Agency exposes the Agency to additional risk.



In addition, section 25-4-105, Mississippi Code of 1972, Annotated, addresses certain actions, activities and business relationships prohibited, and contracts in violation regarding the use of public property, which states the following:

**Section 25-4-105**, Mississippi Code of 1972, Annotated states that no public servant shall use his official position to obtain pecuniary benefit for himself other than that compensation provided for by the law, or to obtain pecuniary benefit for any relative or any business with which he is associated.

The Agency maintains multiple policies and procedures regarding inventory and fixed assets, including procedures surrounding acceptable actions regarding state vehicle and boat usage. Specifically, the Agency maintains internal control procedures regarding the following:

- (a) maintenance of keys, including spare keys, by both the Projects Officer and the individual departments authorized to use vehicles and/or boats;
- (b) authorization and approval by the Executive Director regarding both the assignment and usage of vehicles and boats to individual departments and individuals operating vehicles, as well as documentation of the aforementioned procedures;
- (c) security access controls within each office or department regarding the actual usage of vehicles and boats; and
- (d) procedures for monitoring activities, including daily internal tracking log/schedules, as well as random inspections by management operations of each office or department to ensure compliance with Agency policies and procedures.

### ***State Reporting***

The State of Mississippi issues a financial report to the state on an annual basis entitled, the Comprehensive Annual Financial Report (the "CAFR") for each respective fiscal year end. The CAFR is prepared and published by the DFA as required in Section 7-7-45 (c), Miss. Code Ann. (1972) by combining all state Agency funds and other required supplementary information. Therefore, MDMR is responsible for preparing and providing GAAP Financial Statements known as GAAP Packets in order to provide their information for the CAFR. The Mississippi Statue requirement states the following per Section 27-104-4 (1):

Each state Agency shall prepare annual financial statements at such times as required by the State Fiscal Officer. The statements shall be in accordance with generally accepted accounting principles. The State Fiscal Officer, in consultation with the State Auditor, shall prescribe rules and regulations to implement and specify the records, procedures and accounting systems necessary to carry out the provisions of this section.

The Agency outsources the process of preparing the GAAP Packet to an external, third-party accounting firm, where the following procedures are performed by the third-party without any additional assurance regarding the completeness of transactions and supplementary information as provided by the Agency:





- Preparation of GAAP Packet Supporting Schedule(s)
- Preparation and input of GAAP adjusting journal entries into SAAS
- Review and approval by the external, third-party accounting firm of the adjusted trial balance as provided by the BFR
- Preparation of additional GAAP Packet Supporting Schedule(s) and Agency checklist
- Submission of information to the DFA - BFR

The GAAP Packet is completed by applying the modified accrual basis of accounting for all requested fund(s). Therefore, the external, third-party accounting firm must reconcile the Agency's revenue and expenses to the initial GAAP Trial Balance as provided by the DFA – BFR in order to determine the necessary adjusting journal entries.

The overall involvement of the Agency, including the Administrative Services Office, in compiling the GAAP Packet is limited as there is no review and approval process of the journal entries recommended by the external, third-party accounting firm. In addition, the external, third-party accounting firm is not responsible for validating the completeness of the transactional information and supplementary schedules as required by the DFA. However, certain reports included within the GAAP Packet appeared to be reviewed and approved by individuals within the Administrative Services Office.



## INTERNAL CONTROL OBSERVATIONS

- When the budget requests are filled out each year, the projected expenditures are reduced to match the funding amount listed within the appropriation bill. The actual amount of expenditures to be incurred is higher than stated, in the request, and exceed the amount of funding received by the MDMR each year. Increases are not requested in the budget request to reflect accurate expenditure estimates. Under the current appropriation, the estimated salaries for the next fiscal year exceed the appropriated funding amount, outside of the federal grant funds.
- MDMR is commingling most of their funds outside of Tidelands and Bond issuances into one Treasury account #3450.
- The upcoming State requirement that MDMR add another treasury account for federal grant activities will cause an additional funding concern for MDMR, in that they do not have the funds to pay the grant expenses up front before being reimbursed. MDMR will need to identify funds it can use in establishing a beginning balance for the new treasury account sufficient to cover the expenses projected to be incurred before reimbursement. Otherwise there will be insufficient funds available to cover the upfront expenses.
- The Agency's Administrative Services Office maintains an additional set of policies and procedures regarding the performance of specific transaction processes, however, the communication regarding the respective procedures appeared similar to the Agency's overall policies and procedures. The overall application of multiple policies and procedures, including outdated and overlapping procedures, proved to be difficult as inconsistencies were noted concerning the transaction processing activities we reviewed (i.e., inventory, cash payments, cash receipts, etc.).
- The Accounting and Finance Director's review and reconciliation of daily on-site license sales to the amounts reported within the MS – MDMR Licensing Application is a critical control around the processing of checks and cash collected from on-site licensing sales. However, the Accounting and Finance Director, as well as the Systems Manager I within the IT Bureau, are the only personnel authorized to void license sales within the MS – MDMR Licensing Application. In addition, the voided sales are not reflected on the summary and detail reports as provided by the database, which are used in the reconciliation and review process by the Accounting Staff.
- The Agency is provided the Cash Receipts Register on a monthly basis for all cash receipts processed within SAAS, which should be utilized to reconcile amounts to records maintained within the Administrative Services Office. However, the Administrative Services Office does not perform any reconciliation procedures regarding the differences in the amount of cash receipts collected to the amounts deposited into the State Treasury on a monthly basis. The reports are only maintained within the monthly SAAS binders.





- The Agency does not have a formal process for documenting the authorization and issuance of procurement purchase cards, including credit limits, for each department or project. In addition, MDMR does not perform appropriate follow-up regarding authorizations requested by lower-ranking employees.
- The Agency's individual department officer's oversight in managing risk of procurement purchase cards is high as certain departments and individuals responsible for purchases were not performing any project management responsibilities such as tracking fund/project expenses against the respective project or grant. In addition, no formal process regarding an initial or secondary review of expenses was performed to ensure the appropriateness of allowable vs. non-allowable expense compliance for each project or grant.
- The Agency's oversight regarding maintenance of the active listing of procurement purchase cards issued and outstanding is minimal as individual departments or offices maintain multiple procurement purchase cards and certain cardholders maintain cards for projects no longer under their authority although still retaining responsibility for purchases incurred.
- The Agency's oversight risk regarding appropriate grant name/number, project coding and acknowledgement of allowable vs. non-allowable costs concerning purchasing and grant compliance is high due to the miscommunication of responsibilities between the Administrative Services Office and the Offices requesting the purchases. The miscommunication provides exposure to potential fraud, waste and abuse of federal and state resources for projects with restrictions.
- The Administrative Services Office does not perform reconciliation procedures regarding differences in the amounts reported within SAAS by various reports as provided by the BFC and documentation maintained by the Accounting and Finance Department. The reports are only maintained within the monthly SAAS binders.
- Personnel responsible for reviewing the Agency's purchases within the Administrative Services Office must be familiar with the inventory capitalization policies as established by the DFA to ensure inventory and fixed asset purchases are accurately coded and reflected within the trial balance report provided to the Projects Officer III, Special on a monthly basis. The potential lack of implementation and awareness by personnel of DFA inventory and fixed asset capitalization policies and procedures will provide additional risks regarding the completeness of purchases as reported to the Projects Officer, which ultimately affects the accuracy of information as reported to the State Property Office.
- The Agency does not perform random audits on a monthly basis of employee property accounts, as well as random audits of specific items on an Agency-wide basis as noted within the Agency's specific policies and procedures. In addition, the application and adherence of certain of the Agency's internal control procedures regarding boat and vehicle usage appeared to be inconsistent. The aforementioned internal control deficiencies expose the Agency to



additional risks regarding the accuracy of property records, as well as the overall compliance with boat and vehicle usage for property purchased with federal funds.

- The overall involvement of the Agency, including the Administrative Services Office, in compiling the GAAP Packet is limited as there is no review and approval process of the journal entries recommended by the external, third-party accounting firm.

## **RECOMMENDATIONS FOR IMPROVEMENT**

- MDMR needs to identify the responsible individuals within the Agency and implement a formal process around the Agency's preparation for the upcoming conversion from SAAS to Mississippi's Accountability System for Government Information and Collaboration ("MAGIC") that is scheduled for implementation later this year. System conversions present a significant amount of risk to any organizations procedures and processes if appropriate and timely preparation and communication is not performed.
- MDMR should compile their Budget requests with the needed increases to match their projected expenditures. The Executive Director needs to request a budget hearing with the LBO to discuss and justify the need for an increased appropriation.
- MDMR should develop a monthly reporting package for submission to the Executive Director and Commission each month that highlights the Agency's accounting and finance activity. Included in the package, should be a monthly analysis and reconciliation of each treasury account to ensure the Executive Director and Commission have a full understanding of the current financial status and outlook in order to properly plan and coordinate the MDMR's operations and activities.
- As stated in the recommendation section under Grants Management, the MDMR needs to upgrade to a better internal accounting system that will allow them to track funding, from all sources. This would allow for more comprehensive reporting options and provide the Executive Director with more accurate and timely reporting of MDMR's financial status, without having to wait for multiple staff to pull together balances from numerous spreadsheets.
- MDMR needs to perform a thorough analysis of how it will fund the upcoming requirement to separate all federal grant activities into a separate treasury account. The Agency currently relies on the commingled funds within their treasury account #3450 to cover the upfront federal expenditures before they are reimbursed by the respective federal agency.
- The Agency's Executive Management, including the participation of certain office(s) and bureau(s), should perform a thorough review and complete overhaul of existing policies and procedures in order to reflect current laws, regulations and other practices applied throughout the Agency. In addition, the Agency's Executive Management should consider re-implementing a Policies and Procedures Executive Committee to perform annual reviews and/or evaluations of the Agency's policies and procedures.
- The Agency should designate a senior-level employee with significant experience in financial accounting and reporting, including experience in governmental entities to act as the Chief Financial Officer and/or Comptroller. The Chief Financial Officer and/or Comptroller would be responsible for coordinating the overall Agency-wide effort of evaluating, improving and reporting on financial information.



- Regarding the reconciliation and review process of on-site licensing sales, including voided sales, within the MS – MDMR Licensing Application, the Accounting Staff should ensure and document additional review and approval regarding voided sales prior to initiating and submitting deposits into the Agency's "collection" bank account. Although voided sales are not reflected in the summary and detail reports from the MS – MDMR Licensing Application, they are identified in the individual detailed reports provided by the Marine Fisheries Department.
- The Agency should implement a review/reconciliation process consistent with the Mississippi Agency Accounting Policies and Procedures ("MAAPP") Manual, whereby, timing differences between the amounts collected per the Agency and the amounts deposited per the BFC are appropriately identified through the use of the Cash Receipts Register Report and the Statement of Revenue. In addition to providing assurance regarding the Agency's accuracy and completeness of cash balances and activity, the review/reconciliation process would also provide additional information concerning potential errors in the coding of transactions and determine the necessity of adjusting journal entries. The review/reconciliation process would also provide more transparency in the Agency's cash balance and would have a positive impact on both the budgeting process and accuracy of information required per State reporting requirements.
- The Agency should establish a formalized process regarding the authorization and issuance of procurement purchase cards within each department. In addition, the Administrative Services Office should maintain documentation for all cards issued and outstanding, which identify the appropriate authorization or approval from the respective department director or other individual involved in the authorization process. The authorizations should also document approvals regarding credit limits based on the specific grant or project, if applicable.
- The Agency should determine the most effective and efficient use of administering procurement purchase cards whether through the issuance of multiple cards with lower limits for each department or project and grant, or through the issuance of a single card for each department, project or bureau. In addition, the Department Office Directors should be required to formally sign-off on purchase/expense documentation as provided to the Administrative Services Office on a monthly basis. In addition, the year-to-date expenses for each grant or project should be compared to allotted or budgeted amounts.
- The Agency should establish a process for cancelling and reissuing procurement purchase cards in the event an individual's role changes or a new employee assumes responsibility of a particular project or grant. Additionally, the Agency or Administrative Services Office should perform a routine or periodic independent "inventory" of outstanding procurement purchase cards in relation to grants or projects currently open or closed.



- The Agency should implement a process for monitoring, reviewing and providing periodic evaluations of personnel responsible for approving purchase orders and providing the grant name/number and the project identification number relating to each purchase from each Office Department. In addition, the internal control structure should include the implementation of checklists that identify the allowable costs for certain grants or projects for the individuals authorized for approving payments. Since all purchasing documents require approval prior to acceptance and processing of payment, the identified internal controls would ensure the appropriate individuals within the Agency have the authority for encumbering the funds.
- The Agency should implement a review/reconciliation process consistent with the MAAPP Manual, whereby, differences between the purchases documented and supported by the Administrative Services Office and the purchases documented by the BFC are identified through the various reports provided within SAAS on a monthly basis. In addition to providing assurance regarding the Agency's accuracy and completeness of payment activity, the review/reconciliation process would also provide additional information concerning potential errors in the coding of transactions and determine the necessity of adjusting journal entries. The review/reconciliation process would also provide more transparency in the Agency's fund balances and activity and would have a positive impact on both the budgeting process and accuracy of information required per State Reporting requirements.
- The Agency should implement a checklist to be used within the Administrative Services Office for personnel responsible for reviewing the Agency's purchases to ensure inventory and fixed asset purchases are accurately coded and capitalized in accordance with policies as established by the DFA. In addition, the implementation and awareness by personnel of DFA inventory and fixed asset capitalization policies will provide additional assurance regarding the completeness of purchases as reported to the Projects Officer, which will improve the accuracy of information as reported to the State Property Office.
- The Agency's Executive Management, including the participation of certain office(s) and bureau(s), should perform a thorough review to appropriately implement and/or revise existing policies and procedures in order to reflect current laws, regulations and other practices as applied throughout the Agency. In addition to implementing policies and procedures, the Agency should consider implementing a master spreadsheet by month for certain office(s) and bureau(s) to track and monitor all usage/activity of state property to ensure appropriate compliance of property purchased with federal grants, etc.
- The Agency should consider the most efficient and effective process, including any cost implications, for compiling the GAAP Packet. Although multiple state agencies outsource the GAAP Packet to external third-parties, the Agency and its employees could benefit not only in a cost-effective manner but also through knowledge and continuing education by providing for the services in-house. At a minimum the Agency should institute policies and procedures for appropriately reviewing the accuracy of the information included in the GAAP packet.

## **IV. GRANTS MANAGEMENT AND COMPLIANCE**

### **OVERVIEW**

Within MDMR, the grant/project oversight is generally left up to the individual who wrote the grant. In instances where that person has left the employ of the Agency, another individual within the same department is assigned the responsibility. It is their responsibility to become familiar with the grant and ensure compliance with all applicable rules and regulations. Any reports required, based upon the grant documentation, are also the responsibility of the grant manager to ensure they are submitted to the correct authority, under the specifications of the grant, or granting Agency.

Procurements are conducted through the Administrative Services Office ("ASO"), using information communicated by the grant managers. In situations of small purchases, grant managers request multiple quotes and make the purchases based upon the lowest and best price. When RFPs are used, the bids are submitted directly to the Purchasing Chief to be opened and reviewed at the posted deadline. The Purchasing Chief documents the bid amounts. The grant manager and select team members verbally discuss the submitted documents and determine the vendor to award and notify the Purchasing Chief. When applicable, additional documentation may be added to the procurement file to document other factors about the vendors being taken into consideration for the award determination. Upon receipt and approval of an invoice, a Payment Voucher (PV) is created in the Department of Finance and Administration ("DFA") system, approved by the director of the ASO and submitted to the DFA for approval. If the vendor is registered with Paymode, an electronic payment will be made into their registered account. If they are not registered with Paymode, then a check will be issued, in the vendor's name, to the MDMR's ASO. The ASO then remits the check to the vendor.

Grant managers are responsible for reviewing invoices to ensure costs are allowable and services/products are received. Once the invoice has been reviewed and approved, the grant manager signs the invoice and submits the invoice to the ASO for payment processing. The ASO conducts a basic review of the invoices to ensure the items or services being invoiced are reasonable in nature and are charged to the correct grant. If there are any concerns, the ASO staff will request clarification from the grant manager prior to processing the invoice.

Internal accounting for each of the grants is maintained on individual spreadsheets, by the Accounting & Finance Director. Reports are compiled using the data within SAAS and updates from the spreadsheets for each grant. The control spreadsheets are updated upon notification of the PV being paid by the DFA.



## INTERNAL CONTROL OBSERVATIONS

- MDMR does not have a structure in place for providing guidance to the grant managers in instances where they have compliance or programmatic questions. There is also no evidence of an available training program for team members in regard to grant management or regulatory compliance. In multiple interviews it was determined that grant managers do not verify whether costs are allowable within the applicable grant regulations, upon receiving invoices. In addition, the grant managers do not monitor whether the costs requested are within the limits of each category, according to the project budget. There are managers within the Agency performing necessary oversight, but this is not consistent with all managers. Based upon interview responses, there are employees in charge of grants that not only are not aware of the applicable regulations, but are also not aware of who they can request guidance from in regards to their grant questions.
- Procurements performed by the Agency under grants are not always consistent with procurement standards. Vendors that submit bids for procurements, under the federal grants, are not verified against the Excluded Parties List System ("EPLS") to ensure that the vendors are not suspended or debarred from receiving federal contracts. In certain instances vendors have been utilized without conducting appropriate procurement procedures or by breaking up an invoice into smaller purchases. This gives the appearance of intentionally avoiding a formal procurement by keeping the activity under the threshold. Sufficient controls are not in place to prevent vendors with existing conflicts of interest from being awarded procurements. Under small purchases where the grant manager receives multiple quotes, the documentation is not always maintained after the purchase.
- Internal grant accounting is maintained on individual spreadsheets that require a substantial amount of time to update. Providing timely reports to the executive office is difficult and prevents the Executive Director from receiving key information necessary to make management decisions in a timely manner. Reports submitted to the Executive Director do not consistently reflect accurate, current information.
- There is a significant gap in communication between the grant managers, the Administrative Services Office and the Executive Office. In order for the Agency to be successful with their grant programs, there has to be constant communication between all levels of the Agency involved in the implementation and oversight of the grants.





## RECOMMENDATIONS FOR IMPROVEMENT

- The Agency needs to protect the integrity of the grants program to ensure that future funds are not jeopardized. We recommend a complete overhaul of the grants program structure and internal accounting system within MDMR. In order to be successful the Agency needs to have a team in place that fully understands grants, management of those grants, and compliance with all applicable regulations. This would also provide a greater level of consistency within the grant programs. Training needs to be conducted for all levels involved to ensure consistency.
- Checklists should be created for each department involved in grant activity. The checklists should serve multiple purposes; first to provide the employees with guidance on monitoring compliance, and second, to ensure the proper reviews and approvals have been conducted, based upon the specifics of each grant. The checklists should require two signatures prior to processing. The checklists should be maintained as part of the grant file to provide accountability. Checklists should also be created for periodic compliance reviews to be conducted by someone other than the grant manager to allow for objectivity.
- The purchasing department needs to monitor that the proper procurement methods are being utilized in all situations and that all procurement documentation is maintained, based upon each grant's file maintenance requirement. The Executive Office should create and oversee a selection team, to rank and rate the submitted bids in response to Agency posted procurements. MDMR should also create a selection document, to be used by the selection team, which would include all factors utilized in the rating and selection process (per unit price, if a different result from overall bid price, past performance, etc.).
- Invoices submitted to the purchasing department to be processed for payment should include a completed review checklist, conducted by the grant manager and containing two appropriate approval signatures, in order to be processed. All procurements should contain documentation requiring signatures from both parties disclosing any conflict of interest that exists between the contracting parties to prevent the Agency from awarding a contract to a conflicted vendor.
- MDMR needs to evaluate the benefit of implementing an internal accounting system that would centralize data for all financial information, including grants, and be able to provide "real-time" reports. Decisions made by the Executive Office depend on having current, accurate information, which can be provided within a reasonable amount of time. Based upon upcoming changes by the State, for cost effectiveness, the Agency should evaluate the capabilities of MAGIC to determine if the state's new system will provide the efficiency and capabilities they require. Part of the system should include tracking of reporting requirements for each grant in order to guarantee compliance with all reporting requirements associated with each grant and sub-grant.
- Due to the number of federally funded programs and the amount of funds received annually, the MDMR should assess whether they need to have A-133 audit performed annually on the





Agency itself outside of the A-133 audit conducted at the state level. The MDMR should create an internal audit team with structured policies and procedures. The internal audit team should perform periodic audits of the agency's activities, processes and finances.

- It was noted that most contracts have all of the minimum state required language, but few have strong claw back or quality assurance/quality control language that will ensure that any deliverables are timely and appropriate and meet the needs and expectations of the Agency. All contracts should specify the timeframe for deliverables and specify the quality and depth of work expected. A penalty should be included in the contract for poor quality or late deliverables.
- MDMR is charged with running several grants where they have not drawn any administrative funds for their indirect and overhead costs. As part of the process updates, the MDMR needs to ensure that this is built into all allowable future grants or awards, where they will incur administrative costs. A full analysis of all Agency projects needs to be conducted to determine the projects where indirect, or overhead, costs are being incurred, but not reimbursed. The analysis should provide a review of the projects to ensure drawing the funds down for reimbursement on the indirect or overhead costs is allowable.
- The Executive Office should implement bi-weekly meetings with the grants team to discuss program progress updates, changes, funding and concerns. Better communication must exist between all departments in order for the Agency to function efficiently, and effectively. Each grant manager should provide periodic reports to the Executive Office providing the current status of the grant funds and activities.

## V. AGENCY ADMINISTRATION

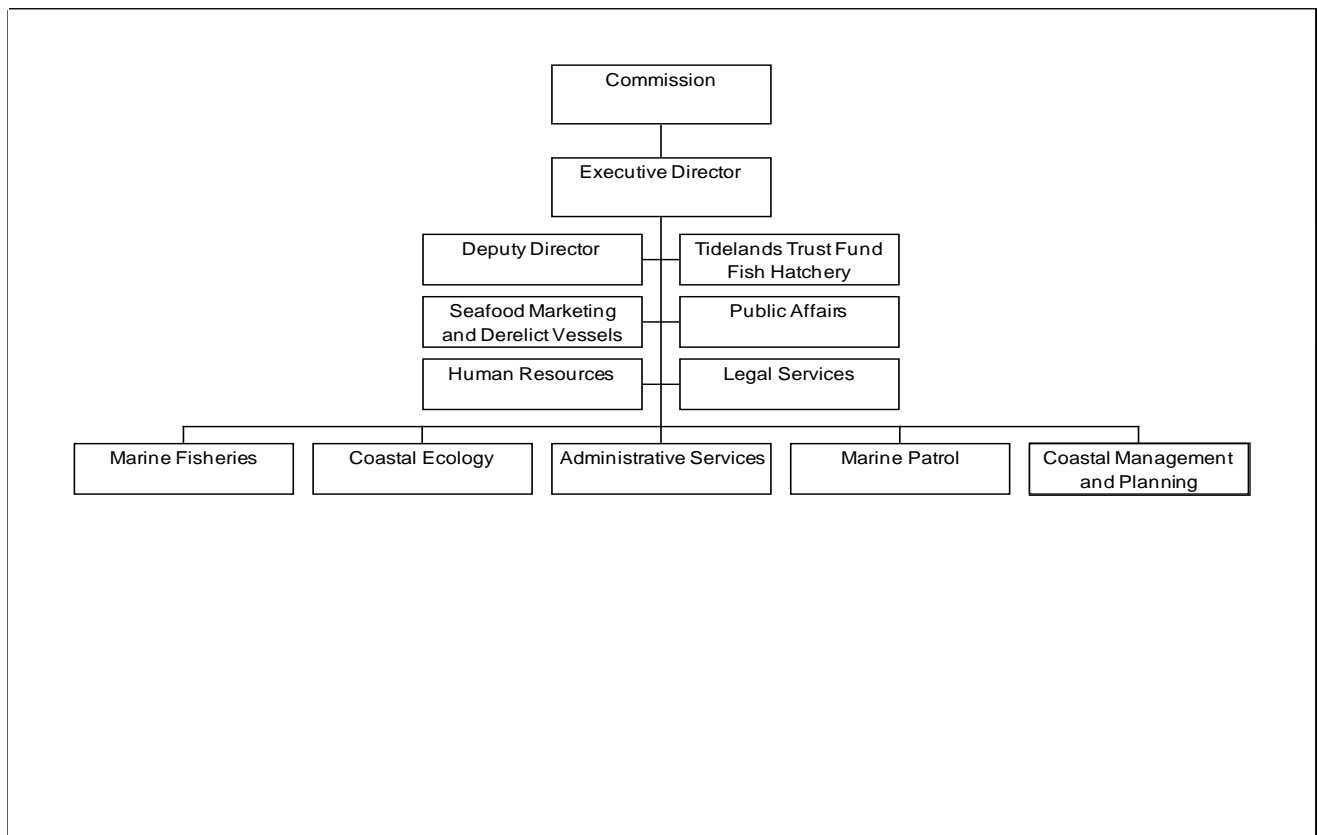
### OVERVIEW

#### *Organizational Structure and Staffing*

An organizational analysis focuses on a number of critical components. Using the Agency's mission as a polestar, we analyzed whether the Agency is organized to achieve its mission; whether the Agency is adequately staffed to achieve its mission; and whether employees are properly classified and deployed to exhibit required competencies supporting the work of each position. Additional reviews focused on the status of employee training; compliance with state and federal employment laws; and compliance with state policies and procedures relating to personnel. Finally, the Agency's human resource practices must be reviewed to determine accuracy and to promote the identification of efficiencies which might be employed by the Agency going forward.

#### *Organizational Structure*

MDMR is presently, for Fiscal Year 2013, allocated 183 positions which are organized into five major offices and five departments, all of which have a direct reporting relationship to the Executive Director. A global organizational chart is shown below. A description of each organizational entity, which includes the respective number of allocated positions, follows the chart.





The Office of Marine Fisheries provides for the effective management of the state's marine fisheries, including oysters, shrimp, crabs, spotted seatrout, red drum, menhaden and mullet. The program includes conservation and overall management of living marine organisms through research and data collection as modified by relevant social, economic and biological factors. The Office of Marine Fisheries utilizes the most appropriate methods for fisheries management, including regulating harvesting, habitat enhancement, water quality monitoring for mollusk and shellfish harvesting, setting of catch limits and seasons, and seafood safety inspections of processing and distribution facilities.

There are 48 positions allocated to The Office of Marine Fisheries.

The Office of Coastal Ecology primarily is charged with implementation of the Mississippi Coastal Program, which was legislatively mandated in Section 51-15-6 of the Mississippi Code of 1972 and approved by the National Oceanic and Atmospheric Administration ("NOAA") under the provisions of the Coastal Zone Management Act ("CZMA") of 1972. In addition to coastal management responsibilities, this office also administers the Coastal Preserves Program, the Grand Bay National Estuarine Research Reserve ("Grand Bay NERR") Program and the Wetlands Permitting Program.

There are 27 positions allocated to the Office of Coastal Ecology.

The Office of Administrative Services is responsible for the Agency's budget, accounting and finance, contracts, information technology and property management and inventory control functions.

There are 20 positions assigned to the Office of Administrative Services.

The Office of Marine Patrol provides marine enforcement of federal and state laws and the ordinances of the Commission for the protection, propagation, preservation and conservation of Mississippi's seafood, aquatic life and associated coastal wetland habitats. This Office is also charged with responsibility for the enforcement of state and federal laws pertaining to boating safety and provides emergency assistance to marine boaters.

There are 51 positions allocated to the Office of Marine Patrol.

The Coastal Management and Planning Office is primarily responsible for building the capacity of state and local governments to manage and protect coastal wetlands and marine resources in Mississippi. This Office administers a planning assistance program to aid the 11 coastal cities and six coastal counties with planning needs for their regions; directs a smart growth program, which is designed to assist the six-county region with education on smart growth including the Storm Water Toolbox; directs the Mississippi Gulf Coast National Heritage Area (NHA) Program, the mission of which is to continue growth of the economy by using natural resources, heritage and recreational and historical assets in the six-county region; and coordinates the activities of the Coastal Impact Assistance Program ("CIAP").

There are six positions allocated to the Coastal Management and Planning Office.

The Tidelands Trust Fund and Fish Hatchery Department is responsible for administering the Tidelands Trust Fund. The purpose of the fund is to ensure that monies derived from the public trust tidelands assessments are used for the benefit of preserving and protecting the tidelands and submerged lands found within the three most southern counties of the state. Activities focus on conservation, reclamation, preservation, acquisition, education and the enhancement of public access to the public trust tidelands or public improvement projects as they relate to those lands. This Department also is charged with oversight of the Agency's Fish Hatchery Program.

There are 16 positions allocated to the Tidelands Trust Fund and Fish Hatchery Department.

The Seafood Marketing and Derelict Vessel Department is charged with the oversight of the Seafood Marketing Program and with the Derelict Vessel Program, which involves the enforcement of state laws governing removal and disposal of derelict vessels to protect the environment and to keep coastal wetlands and navigable waterways safe for use by the general public.

There are three positions allocated to the Seafood Marketing and Derelict Vessel Department.

The Public Affairs Department promotes awareness of the MDMR and its roles, responsibilities and programs in balancing economic interests with enhancing, protecting, managing and conserving Mississippi's marine resources. This work is accomplished through a proactive program of community outreach, education, public information and legislative and media relations.

There are four positions allocated to the Public Affairs Department.

The Human Resources Department provides human resources services to both internal and external customers in the areas of recruitment and selection; staffing management; retention; job classification; compensation; organizational structure; contracts review; personnel budgeting and compliance; professional development; benefits administration; leave policy interpretation; Workers' Compensation administration; personnel records management; human resources compliance with applicable state and federal laws; performance review; and oversight of the employee discipline process.

There are four positions allocated to the Human Resources Department.

The Legal Services Department is staffed with contract attorneys assigned by the Attorney General of Mississippi to provide legal services for the Agency.

There are two contract positions assigned to the Legal Services Department.

### *Authorized Job Positions*

At its inception in July, 1994 (Fiscal Year 1995), the newly formed Agency was allocated thirty-two permanent, full-time positions by the Mississippi Legislature. The position count history, which is provided below, delineates the Department's allocation of positions by Fiscal Year and includes legislatively authorized positions (both permanent and time-limited) as well as the PIN data for federally funded positions which were escalated through the DFA because funding notification was received outside of the time parameters of the legislative session. The dramatic increase in positions for Fiscal Year 2000 is attributable to the transfer of the Marine Patrol function from the Mississippi Department of Wildlife, Fisheries and Parks to the MDMR. For Fiscal Year 2014, the number of positions authorized by the Mississippi Legislature was reduced dramatically from 126 to 100 due, in part, to 26 vacant positions, all of which were targeted for deletion by the Legislative Budget Office simply because all positions which have been vacant for more than two months are traditionally recommended for deletion. The problem was further compounded by the abrupt departure of the previous Executive Director during the most critical part of the legislative session relating to Agency budgets. As a result, MDMR was unable to work to have these positions restored.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
PFT	32	33	41	44	52	112	112	110	108	107	107	106	107	112	114	124	124	126	126	100
PPT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TLFT	0	0	0	5	10	17	20	31	33	33	5	33	33	33	15	15	15	15	15	46
TLPT	0	0	0	0	0	0	0	5	4	4	4	3	3	3	3	3	3	3	3	1
ESC	0	0	0	12	10	5	13	13	22	19	1	10	13	14	32	36	41	39	39	0

PFT = Permanent Full Time Positions

PPT = Permanent Part Time Positions

TLFT = Time Limited Full Time Positions

TLPT = Time Limited Part Time Positions

ESC = Escalated Positions

### *Use of Contract Workers and Independent Contractors*

We identified a disproportionate use by MDMR of both contract workers and independent contractors whereby thirty-one individuals and fourteen companies or universities were employed or providing services to MDMR through either a personal or consulting contract. From a limited outlook, it appears that the work assigned to a number of these contractual workers could have more appropriately been performed by full-time Agency employees in authorized positions. Moreover, some of the contracts reflected an hourly rate which appeared excessive in light of the description of duties to be performed.

We noted that the new Executive Director had already identified this issue and has ended a significant number of these contracts effective March 31, 2013. An additional number of contracts were terminated in early April, 2013.

### *Classification of Employees*

The current Job Content Questionnaires ("JCQs") maintained by the department are representative JCQs which are identical for all employees in positions allocated to a particular job class. As a result, it is impossible to perform an accurate classification analysis of the department's positions at this time. It is recommended that each employee complete a new JCQ unique to the specific job duties performed by that respective employee. The new JCQs should then be analyzed in order to determine the appropriate classification for each individual position. Individual JCQs are especially critical in order to identify the often subtle differences in duties and tasks performed by employees which differentiate allocation to positions within the same class series (e. g., MDMR-Marine Fisheries Marine Scientist II as compared to a MDMR-Marine Fisheries Scientist III.)

### *Staff Development*

In order for the new Executive Director to successfully introduce a culture change to the Agency, a comprehensive training assessment should be conducted to assess the technical and managerial competencies possessed by staff members against the core public sector and supervisory competencies which have been identified by the Mississippi State Personnel Board as essential for Mississippi state employees. Due to the requisite labor and time intensity of such an assessment, it is recommended that the Department begin with the three Mississippi State Personnel Board training programs outlined below:

#### *Basic Supervisory Course ("BSC")*

BSC is designed to develop leadership and supervisory skills for front line supervisors of governmental entities. The program includes a wide range of topics with an emphasis on practical application in state, local and district government entities. The program combines classroom training and hands-on learning to reinforce the fundamentals of supervising people and managing programs. Some of the topics covered include organizational and communication skills, conflict resolution, legal issues for supervisors, coaching and self-development. The one-week intensive training session also encourages networking opportunities for participants through interactive, team-based learning activities. Furthermore, BSC's thirty hours of classroom training fulfills the open elective credit requirement for public managers who are entering the Mississippi Certified Public Manager Program ("MCPM").

#### *(MCPM)*

MCPM is a nationally recognized leadership development program for public managers and supervisors. The federal government and 42 states participate in the National CPM Consortium, which accredits and establishes the requirements for the Certified Public Manager designation. Many federal, state and local government entities have chosen MCPM as their primary method for training current leaders and developing future leaders. MCPM is designed for managers, experienced supervisors, and project team leaders who work in a governmental organization and have direct or functional supervision over people, projects or programs. More than 2,500 managers representing

over 84 public agencies from state, county and local governments have participated in the MCPM program.

Developing core competencies is foundational to managerial excellence in government. The MCPM curriculum covers the full spectrum of management and leadership skill building, beginning with individual performance and expanding to broader organizational and public policy issues. The training style uses practical, hands-on learning activities to successfully join theory with practical application including six levels of classroom instruction, each lasting one week; three job-related projects; and elective courses based on development of key management and leadership skills. Participants who complete the first three (3) levels of CPM are awarded the Certificate in Supervisory Management ("CSM") designation.

In addition to earning credits toward a CPM designation, several colleges and universities accept the MCPM Program as credit for the graduate degree (nine semester hours) in Public Administration, Management or Human Resources.

#### *Administrative Services Certification Program ("ASCP")*

ASCP is a comprehensive training and certification program for support staff of governmental entities. The program combines classroom training and hands-on learning to develop teamwork, leadership and customer service skills. Many agencies choose ASCP as their primary method for training support staff due to the noteworthy results achieved by graduates. To become certified, participants must successfully complete three levels of course work, two job-related projects and twelve elective courses.

Topics covered in the ASCP Program include managing time effectively, leading a team, interacting with various personality types, understanding how state government works, learning to resolve conflict, exceeding customer expectations and embracing diversity.

#### *Compensation Analysis*

The Mississippi State Personnel Board, as part of its annual realignment study, affords agencies the opportunity to provide salary survey information from the four contiguous states for their respective Agency unique job classifications. Realignment is the process by which the state determines the sufficiency of salary ranges in those job positions utilized by state agencies.

The MDMR utilizes 12 Agency unique job class series which are comprised of 41 Agency unique job classes. Salary surveys for only one job class within a series should be conducted so that the established percentage salary differential currently existing between the respective job classes can then be applied accordingly. In other words, if a surveyed II-level job class indicates a realignment need of 6 percent, then the other job classes in that series would also need to be realigned by that 6 percent. These salary surveys of the relevant labor markets should be completed by the Agency in order to ensure submission of appropriate pay range recommendations by the Mississippi State Personnel Board to the Legislature and the Governor, through the Legislative Budget Office and the DFA.



### ***Payroll and Travel***

The Office of Purchasing and Travel within the DFA maintains a State Travel Policy Rules and Regulations manual, which details the provisions of statutes and the rules and regulations affecting all areas of reimbursable state travel. The Agency reimburses employees, contract workers, board members and other individuals for travel undertaken on behalf of the MDMR. Travel reimbursements are processed similar to payroll through the Statewide Payroll and Human Resource System ("SPAHRs"), which interacts with SAAS through the recording of journal vouchers based on the account coding initially entered by a Staff Accountant within the Administrative Services Office upon travel being processed. State officers, employees and board members request approval for travel by completion of the Travel Authorization form prior to the incurrence of any trip expenses or receipt of travel advances. The Travel Authorization form is reviewed and approved prior to processing any trip expenses or travel advances by the respective Office Directors or their designees, as well as the Executive Director and the Accounting and Finance Director. The Travel Authorization form represents the primary source documentation for data entry into SPAHRs.

In order to claim reimbursement for business related travel, travel vouchers ("TV") representing itemized travel expenses are completed and submitted in order for SPAHRs to process reimbursements. In addition, the Agency may provide for travel advances from state funds, as specified by the Agency director, as allowed by Section 25-1-79, Miss. Code Ann. (1972). However, the respective traveler receiving a travel advance must complete and submit a TV upon completion of travel, which the Administrative Services Office applies to clear actual expenses against advanced expenses. If the amount of advanced expenses exceeds actual expenses, the respective traveler is responsible for repaying amounts, which are recorded by the Administrative Services Office through the creation of a CR in SAAS against the original expenditure code. In addition, payroll and/or further expense accounts of a respective traveler will be withheld by the Agency if any advance has not been repaid in accordance with Section 25-1-81, Miss. Code Ann. (1972).

In addition, the Accounting and Finance Director reviews and approves the preliminary report along with a summary record for each individual submitting a TV prior to the processing of travel reimbursements and the final report. The director's review is restricted to the respective amounts and receipt documentation, as well as the project/funding source codes entered into SPAHRs.

The Agency's payroll is also processed through SPAHRs. In addition to maintaining employee and contract worker payroll information, SPAHRs performs the following: establishes default account coding(s); reports time and accrues leave; calculates pay; records accounting transactions to SAAS; and makes adjustments or reallocations to prior periods. The Chief Fiscal Officer within the Administrative Services Office is responsible for initially entering information into SPAHRs based on the number of authorized employee positions per the Agency's annual appropriation bill. However, the Human Resources Department is authorized to update and/or maintain documentation within SPAHRs regarding each individual's pay rate. The respective project and other associated codes defining how each employee's salary, whether full-time, part-



time, or time-limited is to be funded is initially entered into the "Default Distribution" screen within SPAHRS. In addition, the documentation regarding each employee, which is used by the Chief Fiscal Officer to update SPAHRS, for information such as personal, tax and other deduction information is maintained within the Human Resources Department and communicated, as necessary, for each reporting period.

In order to ensure payroll complies with the information per the Human Resources Department, the Chief Fiscal Officer verifies each employee's rate of pay, deductions and hours worked upon initial entry into the system or upon changes being made during a reporting period. Although SPAHRS calculates pay based on salary and time worked, the Chief Fiscal Officer is also responsible for entering employee hours worked within SPAHRS and for reviewing timesheets for the overall approval of hours worked and any leave taken, if applicable. The timesheets submitted for each reporting period are approved by each employee's immediate supervisor. In addition, timesheet approvals are critical for contracted employees due to the specific project/coding distributions relating to time worked during a period.

Prior to the processing of payroll, the Chief Fiscal Officer reviews the Pay Detail Report for reasonableness subsequent to the preliminary processing of payroll. Specifically, the report is reviewed to ensure any significant changes entered into SPAHRS for the reporting period are reflected, including differences in project codes for salaried employees or hours and project codes worked for contracted employees. Also, the Chief Fiscal Officer reviews the preliminary payroll report for information entered regarding new hires, terminations and/or any pay rate or deduction changes for the period. Subsequent to the initial review, the Pay Detail Report, including any timesheets and other applicable documentation from the HR Department, is provided to the Accounting and Finance Director for review and approval prior to final processing of payroll.

In addition to calculating gross earnings, taxes, deductions, net pay and overtime pay based on the time reports and other information entered into SPAHRS, the system creates journal entries to validate against SAAS. The validation process involves the account distributions (i.e., fund, activity, organization, reporting category, etc.), as well as budget and allotment authority, and any cash balances by fund. The validation process will identify any errors, if applicable, until none are noted and payroll is completed processing.



## INTERNAL CONTROL OBSERVATIONS

- We noted weaknesses in the traditional organizational structure utilized by previous administrations, the most primary of which concerns the oversight of particularly technical areas, such as fish hatcheries, by non-technical staff. The current Executive Director, in early recognition of this issue, has created a position of Chief Science Officer and hired a highly qualified individual for this job to oversee the scientific and technical functions of the Agency.
- In addition, in a number of instances, the written organizational chart, as it existed before the arrival of the new Executive Director, does not, upon inquiry, reflect actual practice within MDMR. At MDMR, the map does not match the territory. Since a number of upper managers have left MDMR in the last six months and others will leave at the end of June 2013, it is difficult to determine the reasoning that resulted in a flawed and hard to understand organizational chart.
- The Human Resources Office maintains personnel information within file cabinets in the offices of the MDMR – Marine Manager II and the MDMR – Marine Administrator III. The offices do have locks on the doors and we observed that they are locked when the personnel leave for extended periods of time. However, the file cabinets containing the personnel information are not locked.
- The Human Resources Office is required to maintain the following information for each active employee of the MDMR:
  - Position Profile
  - Payroll Information
  - Certifications/Training
  - Miscellaneous Personnel Information and All Acknowledgements
  - Job Content Information
  - Performance Evaluations

The Human Resources Office uses a checklist when creating new employee files for ensuring the inclusion of appropriate documentation. However, there is not a policy or procedure in place to perform periodic audits of the employee files to ensure their completeness.



## RECOMMENDATIONS FOR IMPROVEMENT

- A full organizational chart review and resulting Agency reorganization should be performed under the direction of the Executive Director with specific emphasis placed on the proper organizational and reporting structure for the science and technical functions as well as other defined functions and all of the administrative support functions.
- The Executive Director should request restoration of the abolished positions for Fiscal Year 2015. This request should be part of the Agency's Fiscal Year 2015 budget request which will be submitted to the Mississippi State Personnel Board and to the Mississippi Department of Finance and Administration no later than August 1, 2013. The Executive Director also should request through the LBO, a hearing with the Joint Legislative Budget Committee during its regularly scheduled meetings in September 2013. At that time, it is recommended that the Executive Director outline his justification for restoration of positions which were abolished for Fiscal Year 2014 but which are essential to fulfillment of the department's statutorily mandated mission.
- A study should be conducted to determine the necessity of all personal and consulting contracts. This study should also identify circumstances in which the job duties could be performed more appropriately by an employee in an authorized position. Furthermore, it is essential that contractual employees be equally, if not better qualified, than departmental employees assigned comparable duties and responsibilities. Finally, all contracts for both personal and professional services should reflect hourly rates which are commensurate with qualification and function.
- MDMR should ensure that all cancelled personal and consulting contracts are cancelled, not only with the appropriate individual contractors, but also with the Department of Finance and Administration in order that the information reflected on Transparency Mississippi will be updated to include accurate contract data.
- MDMR should perform both a classification and organizational analysis. The appropriate classifications should be determined for misclassified positions which are identified through this process. Resulting reallocation and reclassification needs should then be brought to the attention of the Mississippi State Personnel Board, the LBO, and the DFA for approval of proposed classifications and requisite funding through the Legislature's appropriation process. Review of the JCQs utilized for the classification analysis should also identify those areas that are possibly staffed at insufficient or inappropriate levels and should also earmark areas where there are potential duplications of effort. This in-depth analysis will enable the Agency to have a more efficient and streamlined organization. Because of the intensive analysis time which will be required, it is recommended that the Department contract with an outside entity to conduct both the Agency-wide classification and organizational analysis. It is further recommended that a single outside entity should conduct both analyses because they are inextricably linked.



- Those employees who participated in the Basic Supervisory Course ("BSC") prior to 2006 should consider enrolling in the course for a second time as the program has since been updated significantly. It is further recommended that the Executive Director work with the Mississippi State Personnel Board, to arrange for the program to be taught to a large group of MDMR employees at a location on the Mississippi Gulf Coast as it would be more cost effective to pay for travel for the instructors than for the MDMR participating employees. Employees who are currently enrolled in the Certified Public Manager ("CPM") Program should optimize their training opportunity and should expedite program completion. To date, the MDMR has not participated in the ASCP Program, but departmental participation is recommended. Additional training may be indicated as the new administration identifies challenges and opportunities.
- As MDMR analyzes its structure and staffing, the Agency should also conduct a thorough salary survey of the resulting positions to determine the sufficiency of salary ranges throughout the Agency.
- The Agency's Human Resources Department should consider keeping the file cabinets containing personnel files locked at all times to ensure that all confidential information is properly secured.
- The Human Resources Department should institute periodic reviews of employee files to ensure that all required documentation is appropriately maintained.

## **VI. PUBLIC AFFAIRS**

### **OVERVIEW**

The following is a review, analysis and recommendations about MDMR regarding its current internal and external communications strategy including how it conducts outreach to the public and how it can be more effective in informing the public about the Agency's activities.

MDMR currently suffers from a negative image regarding the months of coverage surrounding the Agency. In order for the new Executive Director and staff to have a legitimate opportunity to correct problems and improve MDMR's activities, MDMR must make clear that it is genuinely making a good faith effort to be accessible and approachable in the way it provides information about its activities to the public.

In terms of communications outreach, first and foremost, it is fundamentally important for MDMR to regain the trust of the public. In doing that, the Agency must focus on rebuilding its credibility by providing more information about its mission and services to the public in a way that delivers that information in a timely and trustworthy manner.

Until MDMR can demonstrate that it is off to a new start with new leadership and a new spirit of accountability, it will be difficult to regain the public's confidence in the Agency. The messages of MDMR will only be as credible as the messenger—MDMR—itself. As discussed below in this report, there are many ways MDMR can improve its outreach to the public whether that is through traditional public relations or through more modern interactive communications.

In addition to the overarching goal of improving MDMR's image as a trustworthy state Agency—and at the same time becoming more effective in communicating the Agency's activities in order to better serve the public—it is important for communications and media relations to be coordinated in a logical manner to ensure accuracy and timely delivery of information.

The current MDMR Policy and Procedures Manual regarding "Releasing Information to the Media" and "MDMR Publications" have not been updated since February, 2005 and May, 2005, respectively. MDMR Executive Director and Public Affairs staff should re-examine these two documents to make sure they are up-to-date and still consistent with the mission and objectives of the Agency—and to see if they can be improved in order to better communicate with the public.

Additionally, an increased level of coordination with the Governor's legislative and communications staff, and with other state agencies with similar, crossover issues with MDMR, such as the Mississippi Development Authority, the Mississippi Department of Environmental Quality and the Mississippi Department of Transportation, can help ensure that MDMR is providing timely and accurate information to the public.

In addition to media and public relations activities by MDMR, other forms of public outreach by the Agency include advertising and interactive communications.

The advertising activities of MDMR begin with the branding of the Agency. In analyzing MDMR brand and the creative components thereof, we were pleased to find that there is only one, primary logo for MDMR. However, brand extensions of various programs under MDMR are numerous and lack branding design consistency.

While this may appear on the surface to be a minor issue, branding and consistency of an Agency—or a state Agency—or anyone who strives to build trust and confidence among its audience must practice good branding policies. The face of MDMR brand begins with MDMR's logo.

The current MDMR logo is streamlined and somewhat depicts what the Agency does; however, the logo design seems dated and does bear some resemblance to the Mississippi Department of Environmental Quality logo. In addition to this primary MDMR logo for the Agency, there are several brand extensions and program logos that are inconsistent in design style and do not properly reflect the level of professionalism that MDMR should demonstrate. These logos include:

- MDMR Marine Patrol Law Enforcement
- Artificial Reef Program
- Rigs to Reef Program
- Coastal Cleanup
- Wear It Mississippi! Boat & Water Safety

Examples of the different logos used by MDMR are included in Appendix B.

There are also several affiliated programs and projects which are managed by MDMR that use their own branding:

- Gulf Coast National Heritage Area
- Grand Bay NERR
- Seafood Marketing Campaign

These three branding efforts seem to be well developed and managed at this time. It is time for MDMR to do the same type of brand development for the Agency.

In an effort to communicate with MDMR employees as well as external target audiences, MDMR currently publishes numerous newsletters, brochures, posters and other marketing materials.



These publications include:

- Brochures
  - Offshore Artificial Reef Program
  - Rigs to Reef Program
  - Inshore Artificial Reef Program
  - Guide to Mississippi Saltwater Fishing
  - Saltwater Recreational Fishing Size and Possession Limits Pocket Guide
  - Powering Renewal/ Rebuilding Gulf Coast Communities with Clean Energy
  - Identification Guide to Sharks of Mississippi
  - Mississippi Coastal Wetlands
  - Mississippi Monofilament Recycling Program
  - Oyster Drill
  - Mississippi Boaters Guide
  - Seafood Industry Directory
  - Saltwater Sportfishing Guide
  - Seafood Recipes
  - Gone Crabbing
  - Gone Oystering
  - Gone Shrimping
  - Shrimp Recipe Cards
  - Oyster Recipes
  - 2012 Shrimp Recipe Book
  - Seafood Recipes
  - South Mississippi Style Recipes
  - 2010 Mississippi Seafood Cookoff Recipes
  - Selected Birds of the Grand Bay National Estuarine Research Reserve and Vicinity
  - Selected Plants of the Grand Bay Estuarine Research Reserve and Weeks Bay National Estuarine Research Reserve
  - Marine Discovery Series for Kids
    - The Wetlands: A Student's View
    - Planning A Visit to the Barrier Islands
    - What a Day!
    - Oystering on the Mississippi Coast
    - Seafood Processing: A Factory Visit
    - Kathy's Journal: Vertebrates of the Mississippi Gulf Coast
    - It's What You Know That Counts
    - The Mississippi Coast and Its People; A History for Students
    - Teachers' Guide
    - Coastal Birds
    - Jeremy and the Dolphins
    - Home is Where the Wild Things Are: A Look at Coastal Wildlife
    - Learning About the Tides
    - Coastal Mississippi Wildflowers





- Learning About Nonpoint Source Pollution
- Children's Activity Books
  - Coastworks
  - Marine Litter Awareness Activity Pack
- Calendar
  - Marine Information Calendar
- Flyers
  - Wear It Mississippi Boat & Water Safety Class Flyer
  - Fishing Records Flyers
- Newsletters
  - Coastal Markers, MDMR Quarterly newsletter
  - Shrimping the Sound Newsletter
  - Oyster Newsletter
- Posters
  - Oyster Stewardship
  - Seafood Safety Series
  - Saltwater Fish Common to Mississippi
- Stickers
  - Title 22 Notice Stickers
  - Fish Measuring Sticker

On this vast array of publications, branding of MDMR is minimal, if in place at all. Design styles are inconsistent from piece to piece, and are not reflective of a coherent brand strategy. The writing style and tone is inconsistent. Additionally, the goals and objectives of many pieces are unclear.

MDMR produces several primary outreach/promotional campaigns each year. The materials developed for these outreach efforts include a wide variety of formats and distribution methods. The campaigns include the Mississippi Coastal Cleanup, which consists of advertising and marketing materials including the following:

- Outdoor billboards soliciting volunteers
- Magnets soliciting volunteers
- Newspaper and magazine ads
- TV commercials (:30 spots and :15 spots produced by local TV station)
- Radio spots and PSAs (produced by local station)
- Calendar announcements in local publications
- Flyer
- Registration Form

- Facebook page for the event
- QR code for this event
- Poster
- Hardcover padfolio
- Website (mscoastalcleanup.org)

It appears that this event has experienced some success over the years. Since this event has a tie-in with a national organization and national efforts, it is possible that the event could be more and mean more to the Gulf Coast. If the Coastal Cleanup is the yearly signature event for MDMR, it should be treated as such and afforded rebranding and professional attention to creative, media placement and strategy and public relations. The Facebook page for this event is used to promote other MDMR activities, a practice that is not advisable. (Future sections of this report include additional recommendations regarding Facebook with the primary recommendation being that MDMR should have a Facebook page for the entire Agency, not just a Facebook page for just the Coastal Cleanup one day a year event.)

Additional campaigns promoted by MDMR include the Marine Information Calendar. MDMR holds an annual calendar art contest for the Gulf Coast's third- through sixth-grade elementary school students. The contest is designed to raise awareness of the importance of Mississippi's coastal resources. The winning artwork is featured in the yearly calendar, along with important marine information useful for fishermen and boaters.

From a marketing, advertising and promotional point of view, MDMR also supports additional campaigns or programs including, the Mississippi Gulf Coast Heritage Area, the Coastal Development Strategies Conference, the Celebrate the Gulf/Marine Education Festival and the Mississippi Seafood Marketing initiative.

The Mississippi Gulf Coast Heritage Area, a program that is managed by the Coastal Management and Planning Office of MDMR, is supported by promotional materials that include:

- Full page four color (Inside Front Cover) ad in See South Mississippi Holiday, Summer, Late Summer, Spring editions
- Full page four color ad in Newcomers & Visitors Guide Spring edition
- Editorial Article in See South Mississippi Holiday edition
- Center spread map in See South Mississippi editions
- Website [msgulfcoastheritage.ms.gov](http://msgulfcoastheritage.ms.gov)
- Sponsor of and ad in Coastal Development Strategies Conference Program
- Online magazine ad through print publication online edition
- Heritage Happenings Newsletter
- Passport Brochure
- Postcard series with Joe Jewell illustrations
- Trade show booth
- Heritage Video/Songwriters
- Heritage Area Cemetery Tours ad in See South Mississippi Late Summer edition

This Mississippi Gulf Coast Heritage Area campaign is nicely branded and well-designed. The quality level is superior to that of most other MDMR Agency promotional efforts. Some promotional efforts may be ready to be updated in format or delivery method including digital formats.

MDMR is a sponsor of the Coastal Development Strategies Conference and promotes it through a full page four-color ad in See South Mississippi, an ad promoting MDMR in the conference program and a direct mail packet sent to potential conference attendees. This seems to be a viable sponsorship opportunity for MDMR, but it is not clear if the opportunity is being maximized.

The Celebrate the Gulf/Marine Education Festival is a local festival that provides a way for MDMR to be a good citizen as well as interact with the public the Agency serves. Current promotional activities include:

- See South Mississippi event listing
- Half page ad in See South Mississippi Spring edition
- Handmade hats
- Press Kit with Pocket Folder with Sticker
- Press Release
- Flyer

The promotion of MDMR's participation in this festival suffers from a lack of thorough planning and lack of quality execution of the planning that did occur. This event could become a showcase event for MDMR and could become a great event for the Gulf Coast.

The Mississippi Seafood Marketing Campaign is developed and implemented by The Food Group through a contract funded through the BP settlement. Promotional materials and activities in this campaign include:

- Website: [msseafood.com](http://msseafood.com)
- Social media: Facebook, Twitter, Pinterest
- Printed materials
- Local and regional trade shows
- Magazine ads
- Promo materials
- Billboards
- Search Engine Marketing
- Remarketing

The Mississippi Seafood Marketing Campaign is a well-developed, professionally branded campaign that seems to be successful in its initial efforts to promote the excellence and safety of Mississippi fresh seafood. In the first two years of the campaign, a great deal of the promotional effort has been directed to the local market.

MDMR is responsible for selling fishing licenses, a service which seems to be promoted by small space newspaper ads. A single print ad related to this program was submitted for review. The design of the ad features no consistency of style with anything MDMR produces and does not reflect the importance of this program to the operations of the Agency. Promotion of these licenses needs to be reviewed and strategized.

As part of the public outreach program, MDMR sponsors, supports and attends a wide variety of events throughout the year. The calendar of events is quite extensive, and MDMR's role ranges from serving as a title sponsor to providing a booth to simply supplying giveaway items. MDMR booth configurations take on a variety of shapes and sizes:

- MDMR large booth
- Table with two banners behind
- Tables with Coastal Cleanup banners
- Kids Fishing rodeo tables with tablecloth and buckets
- Community Outreach booth
- Gulf Coast Heritage Area Booth

The displays of all MDMR materials at these event set-ups demonstrate the lack of branding and consistency in these materials. The scope of events and MDMR's role is wide ranging and questionable as to benefit to MDMR.

MDMR warehouses a large collection of specialty items to be used for promotions and giveaways at special events and at school presentations, including:

- Coastal Cleanup magnets
- Paper bags
- Marine litter stickers
- Marine Patrol floating key fobs
- Jr. Marine Patrol stickers
- Clean Environment stickers
- T-shirt color-ons
- Wooden rulers
- Boater's pledge bookmarks
- Pencils
- Pens

Branding, design style, color schemes, message and contact information on these items is inconsistent. It is also questionable whether these items are appropriate for today's audiences.

In terms of advertising and media placement, in reviewing MDMR's advertising activities from January 1, 2012 through April 30, 2013, the majority of MDMR's advertising centered on the Mississippi Coastal Cleanup promotion campaign for the one day event in October.

The advertising consisted of print ads, outdoor/billboards, television and radio spots, printed materials and social media outreach with the message focused on recruiting volunteers to participate in the Mississippi Coastal Cleanup event.

The Mississippi Coastal Cleanup appears to be a successful one-day event and includes many local sponsors participating in the process.

MDMR should consider expanding the event to more than one day a year, and should also evaluate the reach and frequency of all of the advertising that has been done in previous years to ensure that MDMR is getting the most effective advertising plan possible.

The advertising plan for the October, 2012 campaign appears to be light in terms of frequency, particularly in television and radio levels. While there are a number of media outlets (newspapers, television, radio, billboard, etc.) that have been part of the media plan promoting this event in the past, the risk is that dollars are currently being spread too thin among too many outlets instead of focusing on the primary media outlets to deliver a high frequency message to the target audience.

Regarding MDMR's website and interactive activities, a review of MDMR's presence on the internet reveals that MDMR currently maintains the following three websites:

- [www.MDMR.ms.gov](http://www.MDMR.ms.gov) (the official MDMR website)
- [www.msgulfcoastheritage.ms.gov](http://www.msgulfcoastheritage.ms.gov) (the official Mississippi Gulf Coast National Heritage Area website)
- [www.grandbaynerr.org](http://www.grandbaynerr.org) (the official Grand Bay National Estuarine Research Reserve website)

In addition, [www.msseafood.com](http://www.msseafood.com) is maintained by The Food Group as part of the Mississippi Seafood Marketing Campaign.

Visitors to the MDMR website are spending an average of almost four minutes per visit. Half of the visitors to the website are new and the other half are returning visitors. The most visited sections of the website relate to fishing activities (17.5 percent), and the homepage attracted just under 28 percent of the total page views.

Currently, 18 percent of the total visits can be traced to a mobile device or tablet. All national trends indicate that mobile and tablet device usage is on the rise versus traditional computer use to access to the web making a mobile friendly version of the website a necessity to provide the public the quickest and easiest access to MDMR website.

Keywords on MDMR website should be monitored on a monthly basis to help improve Search Engine Optimization and potential paid Search Engine Marketing terms that can be purchased. Internal search terms should be monitored on a monthly basis to improve the search system to make sure the relevant pages are pulling up for the terms.

MDMR does not currently participate in any Search Engine Optimization or Search Engine Marketing campaigns that would significantly increase its website presence on the internet.

Currently, the content management system for the primary MDMR website is configured with the following for global site meta keywords: Mississippi, marine resources, fishing, shrimp, crab, oysters, seafood, marine patrol, coastal ecology, wetland permitting, seasons, saltwater fishing regulations. The global site meta description is: Welcome to the official website for the Mississippi Department of Marine Resources, managing your marine resources today for a sound tomorrow. A component was installed to the content management to allow meta descriptions for certain page types. These are used on main navigation pages and top landing pages.

Overall, the three websites maintained by MDMR are built on outdated technology and need to be brought up to contemporary standards. They are also not mobile-friendly which is a top priority as more and more people than ever before are accessing websites via mobile phones and tablets.

A review of social media activities reveals that MDMR does not currently have its own Facebook page. Currently, the only MDMR-related Facebook page is the Coastal Cleanup one-day event page, which does not serve the same function as MDMR as a large state Agency having its own Facebook page. By having its own Facebook page, MDMR can much more effectively communicate and update the public about news, events and announcements.

MDMR has two Twitter accounts—the primary account for the Agency as well as an account for the Executive Director. MDMR's Twitter account only has 14 followers. This is an area that could greatly enhance MDMR's ability to effectively communicate with the public about news and updates regarding MDMR activities, notices and special announcements.

In the interactive communications arena, MDMR currently maintains an external e-mail list for its quarterly Agency newsletter, Coastal Markers. Printed copies of the newsletter are mailed to a separate list. There are only 54 recipients on the digital copy list and only 1,250 recipients on the printed copy list.

MDMR has started promotion of an e-mail subscription service for the Heritage Happenings newsletter which currently mails 2,168 printed copies.



## RECOMMENDATIONS FOR IMPROVEMENT

- MDMR must focus on rebuilding its image and credibility by providing more information about its mission and services to the public in a way that delivers that information in a timely and trustworthy manner.
- MDMR should evaluate all of its Policies and Procedures Manual information regarding Releasing Information to the Media as well as Publications to ensure they are up-to-date.
- The Executive Director or his designee must have final approval over any public announcements or press statements by MDMR in order to ensure accuracy and clear messages that are consistent with MDMR's mission.
- MDMR should communicate and coordinate with other state agencies that have crossover issues to most effectively communicate announcements to the public.
- MDMR should increase its focus on communicating with the public through social media and interactive communications.
- To address MDMR's needs as they relate to advertising, it is clear that now is the time for MDMR to launch a new brand identity to herald the Agency's new leadership and renewed spirit of this important state government entity. This rebranding should include:
  - Developing a new logo and branding strategy for MDMR.
  - Developing and implementing a logo standards and usage guide that must be adhered to by all divisions within MDMR.
  - Making MDMR the master brand and any programs or divisions directly relate to it. Brand from the top down rather than bottom up.
  - Streamlining, consolidating and re-strategizing brand extensions to make them all instantly relate back to MDMR and the MDMR logo in a consistent manner. Examples: Divisions within MDMR should not have their own logo. They should clearly be part of the MDMR brand while still indicating their area of focus.
  - All programs must also clearly be associated with the MDMR logo rather than each having their own unique logo that is disassociated from the MDMR brand.
  - MDMR should consider additional public awareness campaigns to better inform the public about important issues and activities.
- The value of and necessity for each publication produced by MDMR should be re-evaluated. Determination of target audiences for each publication and whether or not the information is actually reaching the target must be completed, as well as determining if the target audience could be expanded. Internal newsletters could be more efficiently distributed through email blasts or through an employee portal on the MDMR website. Newsletters targeted to external audiences could be sent as email blasts. All publications must be overseen by the MDMR Brand Manager to ensure consistent brand strategy. Developing a template or templates for newsletters is one option to ensure the design adheres to brand standards.





- The Mississippi Coastal Cleanup event, along with all the marketing activities associated with it, should be re-strategized to ensure the most effective and impactful effort possible. MDMR should expand the scope and impact of this event to benefit the Gulf Coast and MDMR, including considering more than one day a year to engage in this effort regardless of what the national organization's date/plan is each year.
- The Marine Information Calendar should be re-verified as a worthy program for the Agency. MDMR needs to know if the intended end users actually use the calendar or should it be modernized by developing it in a digital format or a format more useful to the intended recipients. If the program remains viable, MDMR must increase public awareness about this program by expanding its scope if warranted. In any case, the calendar must reflect the MDMR brand by making it recognizable and speaking with a consistent tone of voice.
- Although the Gulf Coast Heritage Area campaign is well designed and branded, MDMR needs to re-evaluate the necessity of existing materials and strategize new opportunities for updated promotional channels. Additional opportunities include developing a mobile app for this heritage area, converting the printed newsletter to an e-newsletter and developing a campaign to increase awareness and promotion of the heritage area among local, state, regional and national tourism industry partners.
- If the Coastal Development Strategies Conference is something that MDMR wants to continue as a featured event, then the Agency's role should be expanded and the opportunity must be maximized so that MDMR gets more value out of the sponsorship. At its current level, it is questionable if this event is providing enough return on investment to remain a viable part of an effective marketing effort.
- MDMR should consider the Celebrate the Gulf/Marine Education Festival a missed opportunity and start now to make this a premier event for the Agency and the coastal community. MDMR must work with local governments, tourism bureaus, civic organizations, faith-based groups, marine industry groups and individuals, as well as a professional advertising and PR Agency to put together a comprehensive plan to expand this event into something exciting and dynamic for the Coast and for MDMR.
- The scope of the Seafood Marketing campaign should be expanded to market Mississippi seafood more extensively to the consumer on a national level. MDMR would be wise to apply the concepts of branding strategy and cohesive campaign development and implementation from this campaign as an example of how MDMR itself can better adhere to a consistent brand strategy.
- Promotional activities involving participation in events and trade shows, as well as utilizing booths, need to be thoroughly re-evaluated according to a new set of goals and objectives for event participation by MDMR to make sure it is an effective use of time and resources. In addition, predetermined messages to be delivered at each event need to be developed and the displays need to be stocked accordingly. Booths need to be redesigned and standardized and



the appearance of second- and third-tier booth needs to be improved. MDMR must be presented in a polished and professional manner no matter the event or setting. The Agency must always set up a professional, well developed display and staff it with knowledgeable professionals.

- The need for branded specialty items must be re-evaluated. An assessment of the actual items selected must be conducted with the goal being to update the assortment with items that are currently popular or actually useful to the recipient.
- In order to ensure the most effective reach and frequency of any advertising and media placement activities undertaken by MDMR, the Agency should formulate a budget for any public awareness campaigns (such as the Mississippi Coastal Cleanup event) and prioritize the budget based on media placement that reaches the targeted audience without spreading media placement dollars too thin.
- In addition to advertising for the one-day Mississippi Coastal Cleanup event, MDMR should assess whether or not it should initiate other public awareness campaigns that promote an event or an issue to inform the public. As many other state agencies have public awareness campaigns about various issues, MDMR should consider public awareness campaigns such as fishing licenses, fishing regulations, hurricane season preparedness, and other issues to help keep the public better informed about its activities and issues of importance.
- In order to function well in the digital world today, all websites managed by MDMR need to be updated immediately in the following ways:
  - All three websites must have mobile versions and a mobile responsive framework that they do not currently have.
  - The websites should not have splash pages.
  - The websites should not have flash content.
- Specific recommendations for [www.MDMR.gov](http://www.MDMR.gov) (the official MDMR website) include establishing a visual hierarchy on the home page. The content should be presented in a manner where the user can easily determine which areas are the most important. It is important to address other issues as well:
  - The existing website includes an outdated design style as well as fonts that are too small. The featured slider area has no controls or navigation to scroll through the items. The user is forced to wait and see to progress without an option to go back to something immediately.
  - The navigation system is too large at its topmost level. Primary navigation items should number no more than eight.
  - After a brief review of the analytics, it appears the majority of people are coming to the website for fishing licenses and to learn about reefs. The homepage content should direct its users quickly to those areas.
  - The "search" feature has an emphasis on news articles, not static content. For example, if you search for "license", your top 22 results are links to news stories.



- The website needs a much better way of allowing the public to sign up for e-newsletters and other information. A clear, easy-to-find call to action for signing up to receive the e-newsletter is highly recommended. The page <http://MDMR.ms.gov/subscribe> is confusing and not user-friendly. One form with boxes to check checkboxes or drop down selection features would be much easier for a user to navigate.
  - The website suffers a bit of an identity crisis. The analytics reveal that this should be a consumer driven website while the layout and content seem to be internal or focused on other audiences than the public.
  - Additional Search Engine Optimization (SEO) and implementing paid Search Engine Marketing (SEM) would greatly increase the traffic and inform the public better about the benefits of using MDMR website. This is an effective way to promote relevant issues, events and announcements by MDMR throughout the year in order to better inform the public of MDMR's activities.
  - Meta keywords/tags need to be monitored on a frequent basis to make sure the proper pages are pulling up on internal and external searches.
  - The website must have a mobile version and a mobile responsive framework that it does not currently have.
- Recommendations regarding [www.msgulfcoastheritage.ms.gov](http://www.msgulfcoastheritage.ms.gov) (the official Mississippi Gulf Coast National Heritage Area website) include addressing issues and making changes and improvements that will optimize the site's efficiency and usefulness:
    - The splash pages cripple search result rankings.
    - The flash technology is not supported by a large percentage of mobile/tablet devices.
    - Clean URLs will help users and search engine results.
    - The design needs to be updated and should capitalize on the available display real estate. There is too much negative space at 778 pixels wide.
    - The source code is a table-based layout. This practice has been outdated for nearly eight years making it difficult to add on new design elements/content.
    - The website needs a better way of asking for user information. A clear call to action for signing up for the newsletter is recommended.
    - The website domain name is long and not memorable.
    - Overall, the website needs to be modernized and updated.
    - The website must have a mobile version and a mobile responsive framework that it does not currently have.
- The website for Grand Bay National Estuarine Research Reserve ([www.grandbaynerr.org](http://www.grandbaynerr.org)) is better designed and has a more logical layout than other MDMR-related websites. However, the following attributes need to be addressed:
    - The "search" feature is only pulling from news articles instead of static page content. This needs to be corrected in order to maximize the user's ability to accurately search the website for content.



- The website must have a mobile version and a mobile responsive framework that it does not currently have.
- The Mississippi Seafood Marketing Campaign website, maintained by The Food Group ([www.msseafood.com](http://www.msseafood.com)) is a good example of a well-organized layout and design. It is also responsive to mobile devices which other MDMR-related websites are not. There is a Search Engine Marketing (SEM) campaign in place currently (see ad below) that helps drive traffic to this website which is effective and recommended in the future for this website as well as MDMR's website.



- In order to function effectively in the social media realm, which MDMR must do, the Agency must establish its own Facebook page to increase its presence on the web and to better communicate with the public on a frequent basis with content that is continuously updated. MDMR should not have two Twitter accounts. Having only one Twitter account and heavily promoting that primary account is advisable. It is also advisable to further develop the Agency's presence with Twitter to provide additional social media outreach to the public. MDMR's website can be significantly enhanced to drive the Agency's presence on Facebook and Twitter.



- Improvements in interactive communications will be achieved if MDMR engages in Search Engine Marketing campaigns designed to help drive up the number of registrants for the quarterly Agency newsletter. Additionally, MDMR should evaluate the need for a printed version of this newsletter versus moving to a digital-only version of the newsletter. To keep the public more informed on a regular basis, MDMR should also consider a more frequent digital newsletter such as monthly distribution instead of quarterly. Communications staff should also initiate a grassroots-oriented campaign to heavily promote and build the newsletter list with relevant organizations, individuals and interested community partners.

## **VII. INFORMATION TECHNOLOGY**

### **OVERVIEW**

#### *IT Department Structure*

There are seven approved positions for the IT department with five currently staffed. There is no plan to fill the two vacant positions.

#### *IT Policies and Procedures*

Per inspection of the MDMR Information Security Plan dated August 18, 2011, MDMR has adopted and implemented the Mississippi Department of Information Technology Services ("ITS") Enterprise Security Policy as part of its FY 2012 Information Security Plan. This policy applies to all Mississippi executive and judicial branch agencies and educational institutions that operate, manage or use IT services or equipment to support critical state business functions. It requires each agency to:

- Operate in a manner consistent with the ITS Enterprise Security Policy
- Develop, implement, maintain and test security processes, procedures, and practices to safeguard voice, video, and data computing and telecommunications facilities – including telephones, hardware, software and personnel – against security breaches
- Train staff to follow security procedures and standards
- Apply appropriate security measures when developing transactional Internet-based applications, including but not limited to electronic commerce
- Obtain an IT security risk assessment from a third-party security consultant at least once every three years
- Ensure and oversee compliance with the policy

The ITS Enterprise Security Policy addresses several security areas, including:

- Logical access
- Physical access
- Change management
- Breach and incident reporting
- Data classification
- Roles and responsibilities of the agency's security officer
- Audit by the State Auditor
- Compliance with federal and state privacy regulations (e.g., HIPAA, FERPA, DOD, PCIDSS, DFA, Mississippi House Bill 583 of 2010: Breach of Security, and Mississippi Prevention of Disclosure by State Agencies of SSNs to Public Web Sites)
- Web servers
- Email
- Virus protection
- Firewalls
- Data encryption



- Remote access
- Passwords
- Servers
- Traffic restrictions
- Wireless Access
- Laptop and mobile device usage
- Disposal of hardware and media
- Application software assessment and certification
- Removable media

### *Application, Database and Operating System Software*

MDMR utilizes the following application, database and operating systems:

- SAAS is an automated, mainframe-based, centrally controlled, and agency discrete financial management system that includes both accounting and budgeting functions. The accounting system records transactions on a GAAP basis. The budget system maintains transactions on a modified cash basis. Records are maintained both on a budget year and on a fiscal year. SAAS is hosted and administered by the Mississippi Department of Finance and Administration ("DFA"). See [http://www.mmrs.state.ms.us/Application\\_Security/SAAS/index.shtml](http://www.mmrs.state.ms.us/Application_Security/SAAS/index.shtml) for information about SAAS security.
- SPAHRS is an integrated, mainframe-based, centrally controlled enterprise payroll and human resource system. The system provides uniformity in the application of federal and state regulations and policies. SPAHRS supports the following payroll and human resource functions:
  - Maintenance of Agency, Occupation and Position Information
  - Selection and Recruitment
  - Employment
  - Contract WINS
  - WINS Without a Contract
  - Propose Wage, Salary and Fringe Benefits
  - Manage Contracts
  - Payment
  - Report Time
  - Travel

SPAHRS is hosted and administered by the Mississippi Department of Finance and Administration ("DFA"). For information about security for SPAHRS, please see [http://www.mmrs.state.ms.us/Application\\_Security/SPAHRS/index.shtml](http://www.mmrs.state.ms.us/Application_Security/SPAHRS/index.shtml)





- Sage Abra Suite human, a human resources system hosted by MDMR in the MDMR data center (<http://na.sage.com/sage-hrms>). (This application now called Sage HRMS by the vendor.)
- EMC ApplicationXtender is used for document management of workflow documents, purchase orders and receipts (<http://www.emc.com/enterprise-content-management/applicationxtender/applicationxtender.htm>).
- Datacard is used for license issuance (<http://www.datacard.com/>). This application is being replaced by a web application that is under development by BCI in Ridgeland, Mississippi.
- Geographic Information System ("GIS") software is available to the Coastal Management and Planning department but is not currently being used because there is not a GIS person currently on staff.
- Microsoft Exchange provides email services to MDMR employees. This application is hosted by the Mississippi Department of Information Technology Services in the ITS data center.
- The MDMR public website (<http://www.MDMR.ms.gov/>) is hosted by the Mississippi Department of Information Technology Services in the ITS data center. This website provides information about the agency including:
  - Administrative functions
  - Boating
  - Recreational fishing
  - Commercial fishing
  - Environment
  - Wildlife and plants
  - Eco tourism
  - Education
  - Coastal ecology
  - Coastal management and planning
  - Marine fisheries
  - Marine patrol
- Windows SQL 2000 database software is used for the license database. All other major databases use Windows SQL 2008. Some small database programs use MY SQL.
- The Windows 7 operating system is used on 95 percent of user workstations and the Windows XP operating system is used on 5 percent of user workstations.
- Windows Office 2007 is used on user workstations to provide word processing, spreadsheets, and other office productivity tools.

### *Network Configuration*

The MDMR data center is located on the second floor of the MDMR headquarters building. The data center is connected to the State of Mississippi Information Technology Services network using a CISCO ASA 5510 adaptive security appliance (firewall and intrusion detection/prevention system). The three satellite offices are connected via T1 communications circuits which are also connected to the CISCO ASA 5510.

### *Network Management and Defense Systems*

The following network management and defense systems have been implemented by MDMR:

- CISCO ASA 5510 adaptive security appliance (firewall and intrusion detection/prevention system) with an access control list that restricts/routes traffic based on IP address and port type
- CISCO 4507 network switches with ports locked to Mac addresses (only allows specific devices to connect based on their Mac address)
- VIPRE antivirus software (<http://www.vipreantivirus.com/>)
- Malwarebytes malware detection software (<http://www.malwarebytes.org/>)
- SolarWinds Server and Application monitor (<http://www.solarwinds.com/server-application-monitor.aspx>)
- SolarWinds Network Performance Monitor (<http://www.solarwinds.com/network-performance-monitor.aspx>)
- Windows Server Update Services ("WSUS") is used to administer patches to servers, workstations and laptops

Remote virtual private network ("VPN") access is provided through the CISCO ASA 5510 to certain employees of MDMR. VPN access requires dual authentication, once to ASA 5510 and once to network domain controller, with each authentication requiring separate user IDs and passwords.

### *Hardware Systems and Backups*

MDMR has deployed a mix of Dell and HP hardware servers which are located in the MDMR data center. Two servers are used as the primary and backup Windows Active Directory domain controllers. One server runs VMware server virtualization software to function as three virtual servers configured for automatic failover that are used to store data files and databases, and support IT network and support functions. The VMware server is connected to a 9TB iSCSI storage area network ("SAN") that is replicated to an offsite SAN weekly. Other servers store the license database, CE database, geo data and data files. The remaining servers facilitate the backup processes and support the agency intranet and Websense internet filter. Data is backed up daily, weekly and monthly using the virtual server and two backup servers. A monthly backup of the virtual servers is sent to a SAN located at the Lyman Fish Hatchery. Daily backups are kept for seven days, weekly backups for four weeks and monthly backups for six months.

Dell computer workstations are used throughout MDMR. Users do not have administrator rights to their workstations. Dell laptops and Panasonic Toughbooks (ruggedized laptops) have also been deployed with the users of those devices having administrator rights due to nature of the applications and databases utilized. A small number of ASIS netbooks and Apple iPADS have also been deployed. Fifty Apple iPhone and Samsung Galaxy smartphones have been issued to MDMR employees. These smartphones only provide access to the employee's MDMR email account. Three employee-owned smartphones have also been equipped to access the employee's MDMR email account.

Secure wireless access points have been deployed for MDMR's executive director and IT department staff. Only IT staff has the password that is required in order to login to the wireless access points.

#### *Data Center*

The data center is located inside the IT department on the second floor of the headquarters building. Access to the IT department requires passage through two doors which are secured via proximity card readers. The doorway into the department from the second floor hallway is open during normal department business hours, but the interior door to the department is kept locked. The door to data center is locked at all times and secured with a proximity card reader. Proximity card access to the department and data center provided only to authorized IT and maintenance staff. An HFC-227ea vapor-based fire suppression system protects the equipment located in the data center. A Liebert air conditioning unit located inside the data center provides air filtration and temperature/humidity control.

#### *Access Rights Management*

MDMR has adopted and implemented the following access rights management procedures:

- No user is granted access to the network domain, file shares and applications unless a work order is provided MDMR IT Department by MDMR Human Resources. The work order must contain the following information:
  - User's full name
  - Office that the user will be working in
  - Telephone extension that user will be accessing
  - Designation as a full time employee or contract employee
  - If an email account is required, then the employee's ACE ID
- Once the work order is received, the user's network domain account will be established and a request for an email account will be sent to Mississippi Information Technology Services.
- Access rights for each user to file shares and databases are based on their job position and office level.
- HR and office directors must submit a work order to request changes in access rights.
- HR must submit a work order to terminate or limit access.



- Upon login to any MDMR workstation/laptop/server, users must consent to log on and be monitored before access is granted.
- SPAHRS and SAAS access is limited to employees in the Human Resource and Business Office departments.
- Abra Suite access is limited to employees in the Human Resources department.
- Access to the network domain and application systems requires a unique user ID and password. Passwords must be changed every 90 days. Passwords must be 8 characters in length and have at least characters from 3 of the following 4 character sets: upper case letters, lower case letters, numbers and special characters.
- IT staff server administrators are the only individuals with administrative access to servers.
- Each employee is issued an identification card.
- IT staff and others with access to the IT department and data center are issued a proximity access card that is required for entry. Audit logs are maintained to document physical entry into these areas.

### *Change Management*

Per discussion with the Director of IT, no programming is being performed other than the minimal website and database support programming. As a result, a formal software change management procedure is not needed. Work orders are used to document changes to hardware and network systems. The Director of IT logs, signs off and physically destroys all decommissioned hard drives.

### *Confidential Information*

The following confidential information is stored on MDMR-managed or MDMR-accessed systems:

- Abra Suite – social security numbers for employees
- SPHARS – social security numbers for employees
- SAAS – social security numbers for employees
- ApplicationXtender – social security numbers are recorded on contracts that are scanned into this document management system. The application uses proprietary batch files to store the image information (i.e., images are not stored in TIFF, JPEG or other image file formats).

User IDs and passwords are required to access each of these systems. However, encryption is not being used to protect confidential information contained in these application and database files.

**RECOMMENDATIONS FOR IMPROVEMENT**

- We recommend that MDMR management consider the deployment of encryption software for application and database systems that contain social security numbers and other confidential information, the unauthorized disclosure of which would be a violation of State policy and regulations. Additionally, we recommend that MDMR management consider the deployment of mobile device management software on all smartphones, whether issued by MDMR or personally provided, that have access to MDMR email accounts since the possibility exists that confidential information might be contained in employee emails.



**H O R N E**

CPAs & Business Advisors

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## **Appendix A - Examples of Logos used by MDMR**

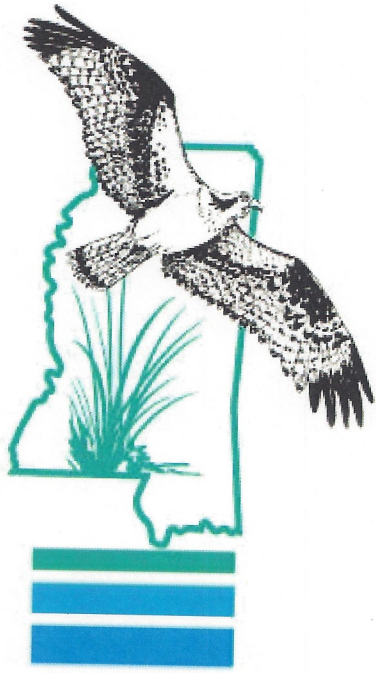




*national heritage area*

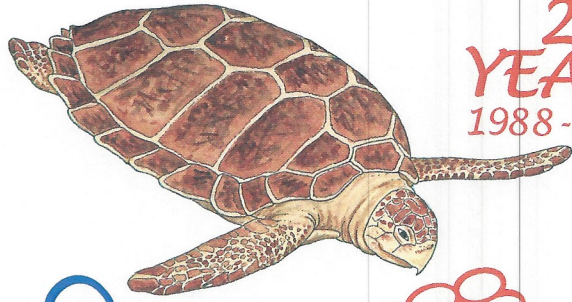






Mississippi

25  
YEARS  
1988-2013



Coastal Cleanup



MISSISSIPPI  
SEAFOOD  
COOK★OFF

GULF★FRESH  
MISSISSIPPI  
SEAFOOD

★ AMERICA'S SEAFOOD ★