

Mississippi Department of Marine Resources



Office of Finance and Administration

Fiscal Year 2015 Internal Controls Policy

Effective July 1, 2014



STATE OF MISSISSIPPI

Phil Bryant
Governor

MISSISSIPPI DEPARTMENT OF MARINE RESOURCES

Jamie M. Miller, Executive Director

July 1, 2014

Fiscal year 2015 stands to be an exciting year for the Mississippi Department of Marine Resources (MDMR). Lots of hard work has gone into putting the Agency on a firm fiscal, operational, and managerial foundation and that hard work is starting to bear fruit.

Over the last year, the agency has created an Office of Finance and Administration (OFA), added Officers over Finance, Operations, and Science, separated all Federal grants into a separate fund, begun monthly financial reporting at a project / grant level, and centralized Grants Management among numerous improvements. One of the last big pieces of that foundation will be in place on July 1st, 2014 as the State of Mississippi's new accounting system, MAGIC, becomes operational. The new SAP-based system will greatly enhance the agency's ability to be financially prudent, transparent, and compliant.

The attached document details the current control structure in place at the MDMR. While this document is a snapshot of the current situation, it is not static. The Agency is committed to continuous improvement and the control environment will continue to be enhanced and improved over time. An effective environment of controls is based on a solid foundation but must be continually reinforced and communicated to employees.

Each July, all Office of Finance and Administration employees (full time and contract) must sign the Code of Ethics for both the Agency and the Office (attachments 1 & 2) as a way to reinforce that controls, compliance, and ethics are a full time responsibility and not just a one-time activity. We have and will continue to be focused on being good stewards of the money that we have been entrusted to manage.

William N. Feidt
Chief Financial Officer
Mississippi Department of Marine Resources

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Introduction

The Mississippi Department of Marine Resources (“MDMR”) has an obligation to administer and safeguard the resources that are entrusted to us, and a sound internal controls structure is the cornerstone to fulfilling this obligation. Effective internal control provides assurance that significant weaknesses that could affect our agency’s ability to meet its objectives would be prevented or detected in a timely manner. Internal control is a process, affected by our agency directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of the following objectives:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

An effective internal control structure consists of five key components: control environment, risk assessment, control activities, information and communication, and monitoring. The control environment is the foundation for all other components of internal control.

MDMR’s leadership is committed to identifying and addressing areas of risk to our agency and implementing control activities to ensure our agency meets the objectives above. Information will be communicated timely to make informed business decisions, determine risks, and communicate policies and other important information to those who need it. On-going monitoring will occur through routine managerial activities to evaluate the effectiveness of our internal controls and to ensure that our internal controls continue to operate effectively.

The internal control plan on the following pages is designed to assist our agency in administering and safeguarding the resources provided to us, meeting our key objectives and adhering to Mississippi law. Section 7-7-3(6) (d), Miss. Code Ann. as amended, states that each agency through its governing board or executive head is required to maintain continuous internal controls covering the activities of such agency affecting its revenue and expenditure, and an adequate internal system of pre-auditing claims, demands and accounts... to ensure that only valid claims, demands and accounts will be paid.

Internal Control Policies

Accounting Policies

MDMR's Office of Finance and Administration follows the Mississippi Agency Accounting Policies and Procedures (MAPP) administered by the Mississippi Department of Finance and Administration (DFA) without exception.

The MAPP contains fiscal policies, accounting principles, controls, operating procedures and reporting requirements for MS state agencies:

<http://www.dfa.state.ms.us/Offices/OFR/MAAPP.htm>.

In addition to the controls in place at the MDMR, DFA has to approve transactions after they have been submitted. This creates a good two-stage process to ensure that the financial policies are being adhered to. Accounts Payable is closely monitored by DFA and the policies around A/P can be found at:

<http://www.dfa.state.ms.us/Offices/OFR/BFR%20Files/MAAPP%20Files/11%20Expenditures.pdf>

In addition to approved invoices, the payment voucher (PV) must include the original purchase order and adequate approval as well as any additional information to ensure the appropriateness of payment.

Agency Budget

Before expenditures can be made, MDMR establishes an agency wide budget which is approved by the Executive Director, the Mississippi DFA, and the Mississippi legislature (along with the Legislative Budget Office – LBO). Information on the budget cycle and process can be found at:

<http://www.lbo.ms.gov/index.htm>

Not only does MDMR adhere to legislative authority when establishing yearly budgets, but also considers the rules and regulations set forth in the grants administered by MDMR. Under MAGIC, the Grants Management Bureau will be involved in all procurement activities for each grant to ensure that expenditures are consistent with the purpose and needs of each grant.

Fund Management

MDMR's philosophy is to keep funds as separate as possible to ensure that they can be tracked for appropriate uses. MDMR has worked with DFA to establish several funds to manage operations and to accurately track revenues and expenditures.

Currently MDMR has the following funds:

- The Seafood Fund represents the main operating fund for the agency and processes state funds and transactions,
- The Tidelands Trust Fund which contains Tidelands funding and projects as set forth by State code and legislation,
- The Grants Fund which was created in 2014 to keep any Federal funds separate from state funds. It is non-interest bearing and creates a transparent way to track federal reimbursements,
- Several Bond Funds which contain funding from state Bond issuances, and
- The State Appropriation Fund which contains the yearly appropriation from the Mississippi State Legislature.

The agency will add additional funds where they are needed; however, with MAGIC's cost center and grant tracking capabilities, future need for new funds should be minimized. Cost Centers create the ability to track revenues and expenditures at a level just below the fund level and will automatically carry balances over time. They will be a valuable tool for future reporting without adding complexity.

Grants Management

A grant is a contribution or gift of cash or other assets from the federal government to be used or expended for a specific purpose, activity, or facility. Federal grant revenue is reported in revenue codes 42100000. While establishing a separate treasury fund is not necessary for each grant, MDMR has established a non-interest bearing fund for expending and collecting grant revenue called the Grants Fund. The Grants Fund will carry a negative balance due to the reimbursable nature of most grants discussed below. MDMR draws funds on a monthly basis but also has established a policy to draw down funds if the account reaches a negative balance over \$500,000.

Recognition of Grant Revenue

Federal grants recorded in governmental funds are recognized as revenue in the accounting period when they are collected (modified cash basis). In applying this definition, legal and contractual requirements are carefully reviewed for guidance. If expenditure of the grant proceeds is the prime factor for determining eligibility, revenue is recognized when the expenditure is made and the funds are collected. If matching requirements exist, revenue recognition depends upon compliance with these requirements.

Certain grants are pre-funded or receive grant funds periodically. In these situations, revenue is recorded when the money is received.

Reporting

The purpose of grant reporting is to appraise the grantor of the progress made towards fulfilling grant deliverables. The grant agreement or a grantor's guidance manual will outline the types of reports and submittal time schedules required by the grantor. These requirements will be used by the grantor as the basis for evaluation of grant award compliance. Typically, grants require financial reports, technical progress reports, annual progress reports (for multi-year awards), and a final report at grant end. Grant revenues and expenses are extracted from the accounting system and are used to compile the required financial reports which are then reviewed and approved by the Chief Financial Officer (CFO). Overall responsibility and accountability for Grants reporting lies with the Grants Management Bureau.

Tracking

Every award has reporting requirements specified in the grant agreement. It is critical that all reports– technical and financial – are provided in a timely manner per the specified timeframe outlined in the agreement.

Upon receipt of the award, the Finance Office will enter the award in the accounting system and Grants Bureau will create a unique grant file for each grant award. At a minimum, the following documents must be contained in the grant file:

- Grant proposal/application
- Grant award letter/executed agreement
- All modifications to the grant award, i.e. continuations, supplements, modifications
- Budget amendments/transfers
- Subcontract(s) (if applicable) Reimbursement requests
- All technical, progress and final reports
- Property records (and disposal records if applicable)
- All written documentation pertaining to the grant, including correspondence and emails

MDMR follows the guidelines of 2 CFR Part 225 (formerly OMB Circular A-87). The U. S. Office of Management and Budget (OMB) Circular A-87 was relocated to Title 2 in the Code of Federal Regulations, Subtitle A, Chapter II, part 225 (2 CFR 225). This policy guidance establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state, local and federally-recognized Indian tribal governments.

Expenditure Monitoring

It is critical to the overall success of a project that grant funds are expended properly and accurately. When expenditures are made for a grant, the Grants Management Bureau will review that the expenditures are allowable, allocable, necessary, and reasonable based on terms and conditions of the grant award, adequately documented, and are commensurate with the project time frame.

Equipment and Real Property Management

The Equipment and Real Property records are maintained and tracked by Chief Operations Officer. Equipment purchased with grant funds shall be used as directed by the grant agreement during the life of the property and/or grant for the project or program for which it was acquired during the life of the grant. Equipment records must be maintained per MDMR policy, and the equipment must be properly maintained and safeguarded. When no longer needed for its originally authorized purpose, the Chief Operating Officer shall request disposition instructions from the grantor.

Subrecipient Monitoring

A subcontract awarded via a subaward is referred to as a subrecipient. All grant requirements placed upon the department will flow-down to any subrecipient, and it is our responsibility to ensure subaward compliance with the prime grant provisions. All subawards issued under federal grants must contain language requiring subrecipients to fulfill the prime grant requirements.

Departments who provide grant funds to a subrecipient shall perform the following for the federal awards it makes:

- Advising subrecipients of all applicable federal laws and regulations, and all appropriate flow- down provisions from the prime agreement
- Routine receipt and review of technical performance/progress reports
- Routine review of expenses-to-budget
- Periodic on-site visits, or regular contact, if necessary
- The option to perform "audits" if necessary
- Review of the audit reports filed by subrecipients and any audit findings, if applicable,
- Review of corrective actions cited by subrecipients in response to their audit findings, if applicable. Consideration of sanctions on subrecipients in cases of continued inability or unwillingness to have required audits or to correct non-compliant actions

Drawdowns

Cost-reimbursable grants are the most commonly received grants by MDMR. Reimbursement is requested by MDMR after expenditures have been paid, which means that MDMR subsidizes the project costs until reimbursement is made by the grantor. Therefore, it is vital that correct, allowable charges are posted to the right grant or award and that reimbursement requests are submitted in a timely manner.

MDMR staff work together to determine the proper amount of funds to be drawn down. Once a payment request is completed, it is reviewed and approved by the Project Manager and the CFO or Director of Finance and Accounting. The Finance Office posts journal entries to the general ledger to record the revenue. The CFO reviews these entries during the monthly financial review.

Some awards are received by MDMR in advance of the project being performed, completed, or before expenditures are made. However, the reporting requirements are much the same as for

cost- reimbursable grants. In addition, it is probable that any remaining, unspent funds must be returned to the grantor.

Advance funds normally require tracking interest revenues and either applying those funds to the project or returning them to the grantor. These requirements are detailed in the grant agreement. MDMR has established a non-interest bearing fund for grant operations.

Agency has procedures in place to ensure only appropriate staff has security access to grantor draw down system. Federal funds should be requested in sufficient time to ensure that funds are received and program expenditures are paid in accordance with approved funding techniques.

The grant agreement and grantor general policies establish the requirements for charging costs to the award, reporting those costs, and requesting reimbursement. The Grants Office will assist department staff with properly expensing award funds, invoicing and drawdowns, and identifying applicable expenditure backup documentation.

Licensing

MDMR is solely responsible for the sale of all commercial fishing licenses sold for Mississippi waters and along with the MS Department of Wildlife, Fisheries, and Parks, is jointly responsible for the sale of recreational saltwater licenses. The License Office reports to the CFO of MDMR and has additional oversight from the Director of Finance and Accounting. In 2014, the License Office sold over 4,200 licenses for revenue of just under \$400,000.

With a large cash component to the License sales, it is critical to maintain controls and adequate procedures. The current process can be simplified to three steps:

- Licensing staff counts their sales each day and reconciles to the Daily Report. When complete, a daily deposit is consolidated and prepared.
- Daily Deposit is made by a senior member of the OFA only after verifying the deposit to the Daily Report.
- The Deposit Records along with the Daily Report are turned over to the Agency's Chief Fiscal Officer to ensure that the deposit made matches what was prepared and what was expected based on the Daily Report.

The three step process minimizes risk by maximizing visibility and accountability. The daily process is augmented by weekly reconciliations that are conducted by the accounting staff.

Monthly Financial Reporting

In accordance with Miss. Code Ann. (1972), 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.

In addition to reports required by DFA, MDMR has developed an internal Agency Financial Report that is prepared at the beginning of each month and delivered to the key managers within the agency. The Monthly Financial Report shows the Agency's results as a whole, individual fund performance, and other reports that are valuable for management. A sub-report breaks the results down to a project / grant level. A summary of the Financial Report is delivered each month the Commission on Marine Resources (CMR) which oversees the agency.

A copy of the MDMR Monthly Financial Report is available on request.

Procurement

State Purchasing Laws

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 so to do, on forms prescribed by the State Fiscal Officer. Purchases of such equipment, supplies, materials, or services, as specified herein, made without the 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."

Approval Levels

All purchasing documents require approvals before the document can be accepted and the PO printed. The first two approval levels are within the Office of the MDMR. The person requesting the purchase completes the purchase order. The purchase order is submitted to Purchasing for approval. The purchase order is then forwarded to the Chief Financial Officer for approval if it is over \$1,000. If the Purchase Order is over \$5,000, additional approval is required from the Executive Director. Additionally if the Purchase Order relates to a grant, it will be forwarded to the Grants Management Bureau for review. Once all levels of required approvals are applied, the purchase order will be printed or sent to MS Department of Financial Administration for additional approval.

Certified Purchasers

MDMR employs Purchasing Agents to process purchase orders in compliance with state policies and procedures. The Purchasing Agents are certified through the State of Mississippi while providing them with the necessary tools to perform their job in an ethical, efficient, and effective manner. More information about the program can be found at:

<http://www.dfa.state.ms.us/Purchasing/Training/CMPA%20Manual.pdf>

Spot Audits

MDMR personnel perform random audits to ensure compliance with grant requirements and regulations. This includes, but is not limited to: reviewing expenditures to verify they are allowable, allocable, necessary and reasonable based on the terms and conditions of the grant award and that they are adequately documented. MDMR personnel will also verify drawdowns have been made to reimburse the expended funds in a timely manner.

Travel

The MDMR complies with the State Travel Policy found at:

<http://www.dfa.state.ms.us/Purchasing/Travel/TravelManual.pdf>

An employee traveling on official state business is expected to exercise the same care incurring expenses as would a prudent person traveling for personal reasons. Travel for business should be conducted at a minimum cost for achieving the success of the mission. Travelers shall request air, train, bus, hotel and vehicle rental reservations as far in advance as possible and shall utilize the lowest logical rate available.

Reimbursement/Advancement Process and Approvals

The Travel Voucher (TV) form 13.20.10 is used to claim reimbursement of official business related travel expenses by state employees, contract workers and board members. That employee requesting the reimbursement or advance completes the TV and submits it to MDMR's Travel Coordinator. The Travel Authorization form must contain all approval signatures before processing for trip expense reimbursement or the advance request in SPAHRS. Travel vouchers must be approved by Executive Director, Department Director, and Director of Finance and Accounting. Once all approvals are obtained, the TV information is entered into SPAHRS by the Travel Coordinator where a trip number is assigned. Travel payments processed through SPAHRS are handled in the same manner as the individual's payroll (i.e. direct deposit for payroll will also be direct deposit for travel). Payroll funds and travel funds must be deposited into the same bank account.

ATTACHMENT 1: MDMR Code of Ethics



CODE of ETHICS

PURPOSE

The Mississippi Department of Marine Resources (MDMR) is committed to protecting the safety, health and well being of all employees in our workplace. This commitment includes protecting those employees who make disclosures they reasonably believe evidence serious health or safety violations, policy violations, abuse of authority, fraud, waste, or gross mismanagement of the agency's resources or mission.

POLICY

It is the policy of the MDMR that employees should disclose questionable actions to the Human Resources Director and will not be subject to workplace reprisal or retaliatory action. Personnel matters for which other remedies exist are excluded from this policy. This includes grievances, appointments, promotions, reprimands, suspensions, dismissals, harassment, and discrimination.

Mission

The Mississippi Department of Marine Resources is dedicated to enhancing, protecting and conserving marine interests of the state by managing all marine life, public trust wetlands, adjacent uplands and waterfront areas to provide for the optimal commercial, recreational, educational and economic uses of these resources consistent with environmental concerns and social changes.

Vision

The MDMR sets a high standard for excellence in pursuit of our mission. We will facilitate change for better government.

Public Service

The employees of the MDMR are responsible for providing essential services for state government. No job is too large or too small for the DMR in pursuit of its mission, and every job is important because we want to make sure government works for our citizens. We are a public service agency. We expect our employees to be good stewards of Mississippi's financial and physical resources. We expect our employees to be respectful of their co-workers and customers. We also expect our employees to embody the public sector competencies that have been adopted by the Mississippi State Personnel Board. These competencies are quoted directly from Mississippi State Personnel Board job descriptions, and were agreed upon by subject matter experts.

Below are characteristics or traits that should be exhibited by all MDMR employees:

Integrity and Honesty: Demonstrates a sense of responsibility and commitment to the public trust through statements and actions. Models and demonstrates high standards of integrity, trust, openness and respect for others. Demonstrates integrity by honoring commitments and promises. Demonstrates integrity by maintaining necessary confidentiality.

Work Ethic: Is productive, diligent, conscientious, timely, and loyal. Conscientiously abides by the rules, regulations, and procedures governing work.

Service Orientation: Demonstrates a commitment to quality public service through statements and actions. Seeks to understand and meets and/or exceeds the needs and expectations of customers. Treats customers with respect, responding to requests in a professional manner, even in difficult circumstances. Provides accurate and timely service. Develops positive relationships with customers.

Accountability: Accepts responsibility for actions and results. Is productive and carries fair share of workload. Focuses on quality and expends the necessary time and effort to achieve goals. Demonstrates loyalty to the job and the agency and is a good steward of state assets. Steadfastly persists in overcoming obstacles and pushes self for results. Maintains necessary attention to detail to achieve high level performance. Deals effectively with pressure and recovers quickly from setbacks. Takes ownership of tasks, performance standards, and mistakes. Has knowledge of how to perform one's job. Knows the organization's mission and functions and how it fits into state government.

Self-Management Skills: Effectively manages emotions and impulses and maintains a positive attitude. Encourages and facilitates cooperation, pride, trust, and group identity; fosters commitment and team spirit; works effectively and cooperatively with others to achieve goals. Treats all people with respect, courtesy, and consideration. Communicates effectively. Remains open to new ideas and approaches. Avoids conflicts of interest. Promotes cooperation and teamwork.

Interpersonal Skills: Shows understanding, courtesy, tact, empathy, and concern to develop and maintain relationships. Demonstrates cross cultural sensitivity and understanding. Identifies and seeks to solve problems and prevent or resolve conflict situations. Encourages others through positive reinforcement.

Communication Skills: Receives, attends to, interprets, and responds to verbal messages and expresses information to individuals or groups effectively. Receives other cues such as body language in ways that are appropriate to listeners and situations. Takes into account the audience and nature of the information; listens to others, attends to nonverbal cues, and responds appropriately. May make oral presentations. Communicates ideas, suggestions and concerns, as well as outcomes and progress throughout the process of an activity. Provides thorough and accurate information.

Self-Development: Adapts behavior or work methods in response to new information, changing conditions, or unexpected obstacles. Seeks efficient learning techniques to acquire and apply new knowledge and skills; uses training feedback, or other opportunities for self-learning and development. Develops and enhances skills to adapt to changing organizational needs. Remains open to change and new information and ideas.

RESPONSIBLE AUTHORITY

Employees shall notify their Office Director or supervisor of any known violation this policy. Any Office Director notified of a possible violation of this policy shall notify the Executive Director. Failure to comply with this policy shall result in appropriate disciplinary action as allowed and proscribed in the Mississippi State Employee Handbook.

Jamie M. Miller
Executive Director, MDMR

ATTACHMENT 2: Office of Finance and Administration Code of Ethics



CODE of ETHICS

Office of Finance and Administration

PURPOSE

The Accounting and Finance employees of the Mississippi Department of Marine Resources (MDMR) are financial and accounting professionals committed to promoting the highest standards of personal ethics, competence and professional conduct.

POLICY

It is the policy of the MDMR that Accounting and Finance employees should embrace the following moral, ethical, legal and professional standards as the minimal values to be exhibited by those in Mississippi Government engaged in accounting, financial and budgeting activities.

The values are described below:

Integrity

Demonstrate loyalty to the State of Mississippi and the MDMR and show respect for the public it serves. Exhibit confidence in and support for colleagues, officers and employees of the State and MDMR. Avoid the evidence or appearance of impropriety in any professional dealings. Refuse to engage in any activity that jeopardizes your ability to carry out your duties or fulfill your responsibilities. Do not prepare, sign or issue any financial information not adhering to professional and legal standards. Support the goals of State Government and promote the mission of the MDMR.

Competence

Assume responsibility for your personal continuing professional education and development. Maintain a current working knowledge of developments and emerging issues in government finance and accounting. Promote the highest standards of professional competence within your organization and among your peers. Support and encourage continuous training and development in your professional disciplines.

Professional Conduct

Carry out your responsibilities consistent with the highest standards of quality, efficiency and customer service. Support compliance with generally accepted accounting principles and auditing standards. Comply with all Federal and State regulations and statutes. Adopt those technologies that will provide improved performance.

Conflict of Interest

Conduct yourself in a manner that will promote public confidence. Never engage in any activity that would suggest favoritism or a conflict of interest. Do not use public resources for personal or political gain. Avoid behavior or associations that might impair your objectivity or independence. Honor and adhere to the professional and personal codes of conduct applicable to a public official.

RESPONSIBLE AUTHORITY

Employees shall notify their Office Director or supervisor of any known violation of this policy. Any Office Director notified of a possible violation of this policy shall notify the Executive Director. Failure to comply with this policy shall result in appropriate disciplinary action as allowed and proscribed in the Mississippi State Employee Handbook.

Jamie M. Miller
Executive Director, MDMR

Policy Effective: July 1, 2013