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Out of Mississippi's 120 state agencies, boards and commissions, dozens have gone years without a comprehensive state audit, including the Mississippi Department of Marine Resources, which went a decade without a full state review.

In any given year, typically more than half of the 120 agencies, boards and commissions may go without a comprehensive state audit, according to records the Mississippi State Auditor's Office posted online. Some may go years between audits.

Lack of audits isn't just an issue in Mississippi. Auditors in other states report declining staffs and less funding for accountability projects during the economic downturn.

"In this day and age, we talk about accountability, we talk about open government and everyone looking at everything, but when you get right down to funding for it, it doesn't seem to be there," said Deborah Loveless, Tennessee's director of state audits.

Mississippi State Auditor Stacey Pickering has said because of staffing issues his office can audit only the eight or nine largest agencies in state government each year, so dozens of smaller agencies are audited on rotation. A recent Sun Herald story reported the DMR had gone a decade without a full state audit and was now the focus of state and federal probes. Investigators were questioning spending at the agency during the unaudited decade.

Since the mid-1990s, the state auditor's staff has gone from a high of about 220 to about 140 now. Pickering's office has about 20 investigators, who are working more

than 130 cases, and the audit and financial compliance office has fewer than 60

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“Their employees are making more than my auditors.” Pickering said. “When I would send an auditor to the Department of Education, or the Department of Transportation, they would spend a year or two over there auditing and they became an expert on government accounting, on the budget and also the process of that state agency. Guess who that state agency hired as their next comptroller or employee? They didn’t go out on the open market.”

The Legislature in 2012 changed rules about those hiring practices, and Pickering said he is proud 2013 is the first year his office has hired more workers than it lost, with 18 coming on board to only nine leaving.

### **Laws changed in 1980s**

Other obstacles dog the agency’s efforts, Pickering said. In the mid-1980s, federal laws on audits changed, so the agency had to complete reviews three months earlier in the budget year.

Today, the auditor’s office here and in other states rely heavily on what’s known as a Comprehensive Annual Financial Report to get a yearly snapshot of the financials on all state government agencies. When some agencies aren’t given a full audit, they do have a more limited review that goes into this annual report, similar to a financial statement a corporation might give shareholders.

Pickering said despite not being able to audit all agencies, his office had some help figuring out which need the most scrutiny. Half of all the audits are the result of tips from sources in the field.

### **Similar troubles elsewhere**

Though auditors' offices are set up differently and have different responsibilities in

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economic downturn, as state budgets become tighter. This scenario can provide opportunity for crooked officials to steal, Loveless fears.

"That's a good opportunity for anyone who wants to do something wrong to do something wrong," she said.

Alabama has a different setup than Mississippi. There's an elected auditor, but also a separate audit office, which has duties similar to Pickering's and is in charge of auditing state agencies for the Legislature. Gail Traylor, director of the state audit division of Alabama's examiners of public accounts department, said she has about half the staffing she had in 2008 to cover state government.

In Alabama, state law requires each state agency be audited every two years, but the state is behind schedule, Traylor said.

"Herein lies a huge problem with no solution," she said. "We've lost over half of our people and we are running behind and we're not in compliance with our two-year requirement, but we are not 10 years behind. We're getting them done as best we can."

Priorities have to be set. Traylor said if the CAFR isn't done, bond ratings for the state could be in jeopardy. If the single audit isn't done, the federal government could take action against the state. Those two tasks take precedence over audits of individual state agencies.

"If we don't get a compliance audit done but every three years, (the state) is not going to lose money, big money," Traylor said.

Louisiana Legislative Auditor Daryl Purpera, who is elected by the Legislature, said his office had been fortunate, but in the upcoming fiscal year, he'll lose 11 positions. He has 304 auditors, which makes his office one of the larger state auditor's offices.

That's because Purpera's office is also in charge of conducting audits on local

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front, we as a state could provide better services to our citizens.”

### **A problem discovered**

Purpera said better auditing of tax-credit programs in many states could reveal some credits aren't yielding enough benefit to the state, which could drive budget adjustments toward better uses of money. For example, he did a recent audit of Louisiana's movie tax-credit program, which is designed to bring film industry dollars to the state. He found it gave out \$196 million in credits in 2010, but Louisiana received only an estimated \$27 million in return.

“That's what you have to be careful about with all government programs,” he said. “We appropriate money for them. We set them up. We charge people with carrying them out. But are we doing a very good job of going behind to make sure they accomplish what they are supposed to accomplish? That's what an auditor can do for the state.”

Given all the struggles Pickering and audit officials in neighboring states describe, it's easy to imagine some people in government might be aware of the weaknesses in the system. Pickering said he doesn't see many getting away with it, though.

“They may try, but ultimately they are going to be caught because there is always a paper trail,” he said. “At some point, 1 plus 1 is not going to equal 2 when they do that.”

What does the future hold?

When asked what it would take to get the issue resolved legislatively, Pickering said troubles at the DMR might be the catalyst for that.

“DMR is going to be a big issue shining the light on the fact that we do need the

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Both have said requiring all state agencies who aren't audited annually to contract with a CPA firm for an annual audit just like cities and counties do might be one solution. But costs to agencies, as well as how that would affect other required annual audits, would have to be considered.

Despite calls prompted by the DMR scandal for immediate changes, Pickering said fixing things may take a while.

“We can't just go running to the Legislature during the middle of the session and get a law passed requiring everyone to be audited,” he said. “There's a lot of ripple effects we need to address and make sure when we do this, we do it right. We want to make sure we're protecting the state and we don't do anything that would harm our financial standing in the lending community. We also want to make sure we don't put any pressure on our state budget, which is already frail.”

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