



Report to the Mississippi Legislature

Impact Report CY 2016-2019

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms, with one Senator and one Representative appointed from each of the U.S. Congressional Districts and three at-large members appointed from each house. Committee officers are elected by the membership, with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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CY 2016 PEER Reports

Report #605: *A Review of the Procurement and Implementation of the Division of Medicaid's Non-Emergency Transportation Brokerage Contract*, November 1, 2016

Report #606: *FY 2016 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board*, December 13, 2016

See PEER website (peer.ms.gov) for full text of reports.

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Impact: Procurement and Implementation of Medicaid's Non-Emergency Transportation Brokerage Contract

A Review of the Procurement and Implementation of the Division of Medicaid's Non-Emergency Transportation Brokerage Contract (Report #605)

A Medicaid non-emergency transportation (NET) program provides trips to and from scheduled Medicaid-enrolled provider appointments for eligible Medicaid beneficiaries. Mississippi currently uses the private brokerage service delivery model, meaning the state contracts with a private company to connect riders with providers of a certain service, in this case non-emergency transportation. In August 2013, the Division of Medicaid (DOM) developed a request for proposals for a new NET contract with different requirements and performance standards than those of the previous contract. Medical Transportation Management Inc.'s (MTM) proposal was approved, and it has provided NET services since July 1, 2014.

Concerns had been raised about complaints the DOM had received from NET stakeholders during the current contract, as well as about the process used to secure the current contract, access to and quality of services provided to NET beneficiaries, and complaint-resolutions processes.

PEER sought to find out how Mississippi procures the contract for the program, ensures timely and appropriate services to eligible beneficiaries, and how it handles complaints and appeals for the stakeholders of the NET program.

The Division of Medicaid met state procurement requirements for awarding the NET contract. However, it could be missing an opportunity to increase cost competition for the contract and save the State money on the NET program by not assigning a greater weight to cost in the formula for evaluating bids. While both the DOM and MTM have methods in place to help ensure quality of services for beneficiaries and to ensure performance standards are met, MTM has fallen short in meeting some performance standards every month of the contract period. Per the contract, the DOM has assessed MTM liquidated damages every month since the contract began.

Only 1% of NET complaints analyzed by PEER staff originated from transportation providers. However, based on information provided by DOM staff, they receive more complaints from transportation providers than formally documented. Therefore, the clarity of the complaints and grievances process with MTM for transportation providers could be improved since they do not have a direct contractual relationship with the DOM.

In the spring of 2017, the Division of Medicaid released an RFP to procure a new NET transportation brokerage contract.

Implementation Actions

According to the Division of Medicaid, it considered the following improvements to the oversight and management of the NET program by:

- including a per member per month payment methodology focused on service delivery;
- increasing of utilization of technology to validate trip compliance;
 - requiring a daily trip and claims data uploads to its contracted fiscal agent;
 - notifying the contractor in writing of the required modifications within the complaints and grievances program section of the transportation provider handbook;
- requiring a separate form with a signature that outlines the complaints, grievances and appeals process;
- analyzing data to make it comparable from contract to contract; and
- considering assigning a greater weight to bidders cost proposals.

Impact: Funding for Charter Schools and the Charter School Authorizer Board

FY 2016 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board (Report #606)

According to the U.S. Department of Education, a public charter school is a “publicly funded school that is typically governed by a group or organization under a legislative contract (or charter) with the state or jurisdiction.” Mississippi law establishes all charter schools as part of the state’s public school system. The Mississippi Charter School Authorizer Board (MCSAB) is the sole authorizing body for charter schools and is responsible for oversight of operations.

MISS. CODE ANN. § 37-28-3(1) (1972) outlines general purposes of charter schools, including such goals as closing achievement gaps between high-performing and low-performing groups of students and increasing high-quality educational opportunities for all students, especially those with a likelihood of failure. In alignment with the act, the contracts between charter schools and the MCSAB establish a clear emphasis on expanding educational opportunities for “underserved students.”

PEER reviewed the first two charter schools to have completed one year of serving students (2015–16) and evaluated the sufficiency of funding for charter schools and the efficacy of the state formula for authorizer funding. Although part of its mandate, because charter schools only began operations in the state in 2015, PEER did not in this report make suggested changes in state law or policy to strengthen charter schools.

For FY 2016, Midtown Public and Reimagine Prep received state and local support payments in a manner consistent with payments to other school districts that receive MAEP funds and with the Jackson Public School District.

Under state law, the MCSAB receives 3% of annual per-pupil allocations received by charter schools from state and local sources. For FY 2016 this percentage did not generate sufficient revenue to support board activities. Until charter school enrollment reaches a level sufficient for this 3% fee— combined with any gifts, grants, or donations the MCSAB receives—to fully fund board operations, supplemental legislative funding will continue to be required.

MCSAB should adopt regulations requiring all state charter schools to report quarterly and annual financials in the format required by the Mississippi Department of Education’s (MDE) accounting manual for public school districts. Adoption and enforcement would facilitate any future comparison of charter and public school expenditures.

Implementation Actions

The Mississippi School Authorizer Board (MCSAB) reviewed the PEER Committee’s report and stated it would take the following action by:

- working with the charter schools and the Mississippi Department of Education to establish a link between the Mississippi local school district accounting manual’s chart of accounts and the chart of accounts used by each charter school.

CY 2017 PEER Reports

Report #607: *The Public Employees' Retirement System: 2016 Update on Financial Soundness, Delays in Application Processing, and Legal Issues, January 23, 2017*

Report #608: *Mississippi Department of Corrections' FY 2016 Cost Per Inmate Day, April 11, 2017*

Report #609: *Potential Cost Savings from Increasing the Utilization of State Property and Shared Support Services, June 13, 2017*

Issue Brief #1: *Opportunities for Improving the Outcomes of Adult Prison-based Intervention Programs, June 2017*

Report #610: *A Review of State Travel Expenses for Fiscal Years 2015 and 2016, August 15, 2017*

Report #611: *State Government Purchasing: A Review of Recent Statutory Changes and a Case Study, September 19, 2017*

Report #612: *A Review of State Agencies' Management of Confidential Data, October 23, 2017*

Report #613: *Management of Mississippi's State-Owned Vehicles: Data Quality, the Control Environment, and Recent Statutory Changes, November 14, 2017*

Report #614: *A Financial Viability Review of the Pat Harrison Waterway District, December 18, 2017*

Report #615: *FY 2017 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board, December 18, 2017*

Report #616: *A Compliance Review of Mississippi Department of Corrections' Food Service Delivery Contract, December 18, 2017*

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CY 2017 PEER Report Impacts

Impact: Retirement Financial Soundness

The Public Employees' Retirement System: 2016 Update on Financial Soundness, Delays in Application Processing, and Legal Issues (Report #607)

The majority of Mississippi public employees and/or their beneficiaries receive their retirement benefits from the Mississippi Public Employees' Retirement System (PERS). State law requires PEER to report to the Legislature on the financial soundness of PERS.

"Financial soundness" should be defined not as a point-in-time comparison of assets and liabilities, but as a multifaceted construct involving an understanding of the role of actuarial soundness in judging financial health, a broadly defined view of affordability that encompasses sustainability in light of all relevant environmental conditions, and an understanding of the role of risk and investment management in the long-term financial health of the system.

This report provided a concise overview of where the system currently stands financially, looks into the recent delays in processing of applications for service retirement benefits, and provides an update on recent legal actions involving states' attempts to modify retirement benefits for pension systems' members and retirees.

Following are brief updates on the PERS plan's actuarial soundness, sustainability, risk management, and investment management, including any effects from the recent changes in actuarial assumptions:

- **Actuarial Soundness**—Over the past 5- and 10-year periods, the PERS actual average annual payroll increase has fallen below the actuarial model's projected 3.75% rate of salary increase. Additionally, from FY 2006 through FY 2016, the ratio of active members to retired members has decreased by approximately one-third, driven by the increasing number of retirees and the decreasing number of active members.
- **Sustainability**—The current PERS funding policy is designed to address the past volatility of employer contribution rates within the system by setting the employer contribution rate percentage to a fixed rate of 15.75% of annual compensation. The policy also targets an 80% funding level by 2042, while still reducing the plan's unfunded actuarial accrued liability. In addition to these effects, the funding policy will have the effect of creating more long-term sustainability within the system.
- **Risk Management**—The PERS funding ratio is now 60%, a decrease from 61.4% as of June 30, 2015. Actuarial projections show that the PERS Board's originally adopted model's funding goals of an 80% minimum funding ratio in 2042 will not be achieved. As of June 30, 2016, the funding ratio in 2042 was projected to be 63.9%.
- **Investment Management**—For fiscal year 2016, the PERS plan's combined investment portfolio experienced a return of 3.5%, and the market value of the system's assets was approximately \$24.8 billion. For fiscal year 2016, the PERS Board of Trustees adopted changes to the asset allocation model, reducing the target for U.S. investment by 3% and increasing the target for global investment by 3%.

Current actuarial projections show the funding level projections of the MHSPRS plan will be below the 60% threshold set in the plan's current funding policy. The MHSPRS Board or the Legislature will need to address the funding status of the plan in the near future.

Implementation Actions

The Public Employees' Retirement System Board of Trustees, in conjunction with the biennial experience review, made adjustments to the actuarial assumptions in an effort to present a more conservative forecast of the system's future performance. PERS staff noted that the agency has addressed the application processing challenges associated with the agency's conversion to the Mississippi Automated Retirement System (MARS).

Impact: Prison Inmate Costs

Mississippi Department of Corrections' FY 2016 Cost Per Inmate Day (Report #608)

During its 1994 special session, the Legislature passed Senate Bill 2005 (now codified as MISS. CODE ANN. Section 47-5-1201 et seq. [1972]) to address short- and long-term bed capacity within the state's correctional system. The bill created the State Prison Emergency Construction and Management Board to expedite the contracting and construction of proposed public and private prison facilities authorized by the bill.

MISS. CODE ANN. Section 47-5-1211 (3) (a) (1972) states:

No contract for private incarceration shall be entered into unless the cost of the private operation, including the state's cost for monitoring the private operation, offers a cost savings of at least ten percent (10%) to the Department of Corrections for at least the same level and quality of service offered by the Department of Corrections.

The law also required that the state cost per inmate day be certified annually by a certified public accountant and that the certified cost be used as the basis for verifying the 10% savings required for private contractor costs. Historically, MDOC has taken the cost of operation of similar units and adjusted them to recognize economies of scale to arrive at a cost of operation of a 500- or 1,000-bed facility.

During its 2012 Regular Session, the Legislature passed H.B. 440 (amending MISS. CODE ANN. Section 47-5-1211 [1972]), which requires the cost per inmate day calculation to occur every two years instead of annually and to require development of a current cost-based model for the calculation. This report serves as the model for the basis of the cost per inmate day calculation.

The cost-based model was applied utilizing average MDOC costs, security requirements, and medical needs of MDOC's inmate population housed in state-operated facilities. The cost-based model provides MDOC management with the ability to determine MDOC's costs for any current or proposed privately operated prison, which can be used in the negotiation of private prison rates and achieve at least the 10% savings required by statute.

For FY 2016, MDOC's cost per inmate day for a model facility totaled \$49.79 based on the average costs, security requirements, and medical needs of MDOC's inmate population housed in state-operated facilities.

PEER believes MDOC should negotiate private prison contracts to yield savings significantly greater than the 10% required by law. PEER cautions the reader that, as required by law, the cost figures presented in this report represent actual costs to MDOC. State law also requires that private prisons represent *at least a 10% savings to MDOC's costs for the same level and quality of services*. It should be noted that cost savings offered by private prisons may exceed the 10% threshold. Therefore, when negotiating private prison payments, items borne solely by the state should be eliminated and due consideration given to reducing other costs in which the state bears additional or different costs than the costs incurred by private prisons.

Impact: State Property and Shared Services Cost Savings

Potential Cost Savings from Increasing the Utilization of State Property and Shared Support Services (Report #609)

In 2016 several legislative tax and budget review committees questioned whether savings could be realized if state agencies currently leasing private office space were to be housed in available space within the Capitol Complex and, in so doing, whether a shared services model might be implemented. A shared services model is an operational model in which office space, support, and administrative services are shared in order to increase cost efficiencies. The Department of Finance and Administration's Bureau of Building, Grounds and Real Property Management indicated to these committees that this type of model could be implemented within the Robert E. Lee State Office Building, which currently has 13,309 square feet of underutilized space.

In order to determine whether opportunities exist for placing rent-paying agencies in vacant space in State-owned buildings, and whether agencies so placed could take advantage of shared services arrangements to lower overhead costs, PEER conducted an economy and efficiency review of the State's current utilization of Capitol Complex real estate and appropriated funds used for leased office space. The evaluation also examined the potential for implementing a shared services model within the Robert E. Lee Building of the Capitol Complex and savings that might be realized.

Despite the significant real property assets and state-owned office space under Department of Finance (DFA) control, state agencies rent a considerable amount of office space. DFA records of January 2017 show 33 state agencies, boards, and commissions renting 1,078,554 square feet of office space in Hinds, Madison and Rankin counties. Overall, these agencies expend about 10.4 million in lease payments to private lessors for office space.

Small health-related professional regulatory boards represent a category of state agencies that could potentially be relocated to available space in the Robert E. Lee Building.

Co-location of several small state agencies in vacant Capitol Complex office space also creates an opportunity for shared services arrangements.

In the event that DFA determines that there are sufficient benefits to justify the relocation of certain agencies to the Capitol complex, it should take all necessary steps to relocate such agencies as soon as practicable and revise or modify any existing master plans for utilization of vacant Capitol Complex space. DFA should continue to work with any co-located agencies to identify additional candidates for shared services agreements.

Implementation Actions

The Mississippi Department of Finance and Administration (DFA) reviewed the PEER report and concurred that there are many benefits to moving several boards and commissions into the Robert E. Lee Building that would result in saving rent, contracting office services, and technology services. As leases expire, DFA indicated that they will consider the report's recommendations and the availability of state office space.

Impact: Improving Adult Prison-based Outcomes

Opportunities for Improving the Outcomes of Adult Prison-based Intervention Programs (Issue Brief #1)

The primary outcome targeted by adult prison-based intervention programs is a reduction in recidivism and its associated costs. For purposes of its adult criminal justice benefit-cost model, Results First defines recidivism as “a conviction for a new crime.” In monetary terms, the benefit of a reduction in recidivism includes the dollar value of:

- incarceration and other criminal justice system costs avoided; and
- increased public safety through avoided victimizations, including costs to victims related to lost property, injury, or death, and damages due to pain and suffering.

This issue brief sought to help policymakers to ensure that state dollars expended on Mississippi’s adult prison-based intervention programs are achieving the reductions in recidivism and associated long-term savings reported in the high-quality research literature. In conducting this analysis, legislative staff used the Results First approach to:

- create an inventory, as of November 30, 2016, of prison-based intervention programs offered by each of the state’s twenty-one adult correctional facilities in housing inmates in state custody;
- identify which of the programs in the inventory are supported by high-quality research documenting their effectiveness in reducing recidivism if implemented with fidelity to program design;
- rank the programs supported by high quality research by order of their cost-effectiveness; and
- identify which programs have no known high-quality research supporting them.

Impact: State Travel

A Review of State Travel Expenses for Fiscal Years 2015 and 2016 (Report #610)

Prior to the 2017 Regular Session, the Legislature established several tax and budget review committees to examine spending for the state's largest agencies. For each agency examined, one area of budget review focused on travel expenditures and policies. The committees questioned agency leadership to determine whether opportunities exist for more efficient travel management policies and practices that could result in savings to the agencies and state.

In times when state revenue and growth falls below forecasted estimates, state agency travel budgets receive additional scrutiny—often the result of the perception that such travel is susceptible to misuse or inefficient use of state dollars and subject to cutbacks. Thus, it is critical that states manage expenses (including travel) and ensure that they adhere to established guidelines and follow best practices.

PEER sought to review state travel expenditures for fiscal years 2015 and 2016 by agency, funding source, and broad category of travel type (in-state, out-of-state, and out-of-country). In addition, PEER reviewed the methods used by the Department of Finance and Administration to control the travel expenditures of state agencies; compared Mississippi's travel expenditures to those of neighboring states; and examined best practices that other states administer nationwide to control travel costs.

DFA travel management data systems have the ability to collect and maintain historical travel-related data across all agencies. However, to produce a comprehensive statewide fiscal year-end travel expenditure report that includes each agency's total travel expenses segregated by travel type and commitment item, the DFA has to extract data from multiple systems.

The DFA performs post-audits to ensure that required travel documentation has been submitted, but these audits focus primarily on compliance with state policy and law rather than identification of ways to better manage expenditures. The DFA should monitor travel-related information to ensure that it is of appropriate and sufficient detail to allow analysis and reporting of expenditures.

While the DFA has recently taken steps to make travel agent fees more uniform and to have travel agents submit their state expenditure logs in a consistent format (e.g., fiscal year time period, type of service provided, number of transactions), it should ensure that it can identify and compare the total amount spent in fees by agent. Furthermore, the DFA should evaluate these fees to identify potential areas for cost savings, such as additional reductions in the fee amounts, or even to determine the necessity to continue to use travel agencies in the future.

Implementation Actions

Following release of the Committee's report, the **Department of Finance and Administration** considered improvements to the oversight and management of state travel expenses by taking the following actions:

- Implemented a trip optimizer system in accordance with House Bill 938 (2017).
- Revised the processes for post-audit of travel expenditures to ensure compliance with the new law.
- Continued efforts to promote efficiency in travel policy, to include evaluation of the future use of travel agency contracts, as well as annual reporting of travel expenditures to the Legislature.
- Explored the possibility of expanding the General Ledger Crosswalk between SPAHRS and MAGIC.

Impact: Purchasing

State Government Purchasing: A Review of Recent Statutory Changes and a Case Study (Report #611)

The Legislature made considerable changes in procurement laws in 2015 and 2017. In 2015 the Legislature passed two bills to address risk to the integrity, transparency, and accountability of the state's procurement process: Senate Bill 2400 changed commodity purchasing standards relative to emergency and sole-source procurements. House Bill 825 revised the composition, jurisdiction, and duties of the Personal Service Contract Review Board. The bill also changed the regulation of sole-source procurements and lowered the oversight threshold for personal services from \$100,000 to \$75,000.

The three state agencies with purchasing oversight authority—Department of Finance and Administration, Department of Information Technology Services, and Personal Service Contract Review Board—reported that S.B. 2400 had minimal impact on reducing the number of emergency procurements. In contrast, they reported a reduction in sole-source procurements—viewed as a risk to the integrity, transparency, and accountability of the procurement process—after the passage of H.B. 825. The oversight authorities noted other effects, including an increase in the use of brand preference in bid specifications and the statutory approval of 325 contracts in FY 2016 without the benefit of PSCRB review.

During the 2017 legislative session, in an effort to further strengthen oversight, the Legislature passed House Bill 1109, which revised state policy on procurement as follows:

- Established procurement best practices.
- Abolished the PSCRB and transferred its authority and responsibilities for personal services to the Public Procurement Review Board.
- Made reverse auctions the preferred method of procurement (excluding individual state institutions of higher learning) for commodities and certain other items or services designated in Section 31-7-13 when such procurements exceed \$50,000.
- Restricted agency emergency procurement regarding the purchase of commodities or repair contracts to a contract period not to exceed one year.
- Required third-party vendors seeking a protective order for contract information to provide the reasons for the order to any entity or individual requesting these records in accordance with the Mississippi Rules of Civil Procedure. In addition, a third party seeking a protective order from the chancery court must also post notice and the reasons for seeking the remedy on the state procurement portal at least seven days before filing a petition in chancery court.

Case Study

The Mississippi Department of Education entered into multiple contracts with Research in Action in fiscal years 2014–2016 having apparent similarities in scope of work and for amounts that collectively exceeded bid thresholds, rather than competitively bidding contracts for such services. Doing so represents possible waste of taxpayer dollars as the lowest price may not have been realized.

In addition, the MDE made multiple payments to The Kyles Company through purchase orders despite there being no contract in place. These contracts, when combined, well surpassed the purchasing thresholds for both IT and personal services, in which case a request for proposal or other bid process should have been employed.

PEER found that operational deficiencies in MAGIC, the statewide accounting and procurement system—along with inconsistent coding of similar products/services by the MDE—allowed such procurements to be made without proper accountability, i.e., oversight. As such, there is no assurance that goods and services were procured at a competitive rate.

Implementation Actions

Following the release of the Committee's report, the **Department of Finance and Administration** took the following actions:

- Relocated the former PSCRB staff and property to the DFA after a build out of office space to accommodate them.
- Implemented the reverse auction module in MAGIC and trained agency personnel on the change.
- Began hiring and training new personnel to absorb the increased workload.
- Produced new rules and regulations, templates, and training materials.
- Worked with ITS to establish state contracts for governing authorities to utilize for reverse auction and electronic bidding.
- Made adjustments within MAGIC to increase the procurements that route to DFA procurement business owners for review.
- Began evaluating possible changes to NIGP (National Institute of Governmental Purchasing's' Commodity/Services Code) coding.

Following the release of the Committee's report, the **Mississippi Department of Education** took the following actions:

- Eliminated the Pool of Service as a method of procurement for contracts, effective July 1, 2017.
- Adopted new personal and professional services procurement guidelines.
- Conducted MDE staff procurement training.
- Strengthened the technology-related procurement process.
- Restructured the Offices of Accounting/Procurement.
- Established that the Procurement Director now verifies the accuracy of all product (NIGP) codes entered into MAGIC prior to final approval of purchasing requests.
- Began inputting all supporting documentation related to the purchase of goods or services into MAGIC and established procedures for follow-up if clarification is needed.
- Hired an MDE compliance officer.
- Updated fiscal policies and procedures to align with MAGIC.
- Provided additional procurement training to MDE staff.

Impact: Confidential Data Management

A Review of State Agencies' Management of Confidential Data (Report #612)

After a breach in the security of confidential data belonging to the Mississippi Department of Human Services—e.g., birth certificates, health records, Social Security cards—PEER examined the state's policies and procedures for ensuring the security of such data, also known as “personally identifiable information” (PII), i.e., information that can distinguish, trace, or link an identity to a specific individual.

The Mississippi Department of Archives and History sets forth the rules and regulations regarding retention, destruction, and sanitization of PII managed by the state. Agencies must comply with retention schedules and ensure the proper security for any data not covered by these schedules, such as electronic data. The Department of Information and Technology Services has overlapping authority regarding policies for confidential data stored electronically on state servers or equipment.

Although the MDAH has authority to ensure the proper management of the confidential data retained by state agencies, it has no feasible punitive action available for enforcement; i.e., current MDAH rules and regulations are reactionary and do not provide incentive for agencies to implement effective policies. Thus, management of PII falls to individual state agencies and the rules and regulations they adopt.

To evaluate the effectiveness of management protocols followed by state agencies for safeguarding confidential data, PEER examined national best practices for retention, destruction, and sanitization, as set by the National Institute of Standards and Technology, which produces best practice guides and minimum requirements for federal agencies to ensure security of data. According to NIST, these principles can be applied to state agencies as well, and ITS utilizes them when developing security standards and policies for state agency data and IT resources. NIST best practices served as the standard for measuring the effectiveness of the varying rules and regulations of individual agencies.

PEER's examination of policies across a sample of state agencies varying in size, structure, and types of PII managed exposed common variations that when compared against NIST best practices revealed the most pervasive risk areas for a potential security breach, as follows:

- *Collection of Unnecessary PII:* Many of the entities reviewed collected more PII than needed to conduct business. In addition, no uniform practice existed for removal of unnecessary PII, except for agencies mandated to do so under federal laws. Some regulatory boards reported collecting only the last four digits of Social Security numbers, but the practice was not uniform.
- *Outdated Retention Schedules:* Most agencies had not updated their retention schedules on a regular basis. The majority of the schedules included data last updated in the early 1980s or 1990s with only the protection of hardcopies of PII in mind; thus, the shift to electronic collection and storage of PII has made some retention schedules outdated.
- *Lack of Uniform Agreements for Sharing Data with Other Agencies and Non-State Entities:* Agencies that fall under federal law and receive federal funding had exemplary data sharing and use agreements. However, regarding sharing other types of PII that do not fall within stringent federal mandates, some contracts with third parties do not address data retention or destruction upon the completion of the contract. Furthermore, some agencies had no form of written agreement defining the procedures for retention, destruction, or sanitization of shared data.
- *Lack of Proper Verification of the Destruction or Sanitization of PII:* State agencies followed no uniform practice regarding verification of destruction or sanitization.
- *Transmission and Storage of PII Electronically in an Unsecured Manner:* Some agencies used nonsecure methods, such as sending unencrypted email, to transmit documents containing PII. MDAH issued guidelines reflective of best practices for development of policy on transmission of PII; however, due to lack of enforcement and oversight, many agencies had failed to develop any policies or regulations identifying proper electronic storage practices or put controls in place to limit access. Additionally, many agencies did not have policies addressing the use of mobile devices.
- *Improper Handling of Equipment Containing PII:* Agencies indicated that (1) they relied on agreements with third parties—such as private entities providing copier rental—regarding the destruction of PII retained in the equipment; (2) they had the hard drive removed and stored; or (3) they did not have any policy regarding electronic equipment, such as copiers, that may store PII.

Implementation Actions

Following the release of the Committee's report, the **Mississippi Department of Archives and History** took the following actions:

- Began to implement more uniform practices and agreements by state agencies for sharing information with third parties.
- Required agencies to ensure that PII covered by an MDAH-approved retention schedule is retained, destroyed, or sanitized in the appropriate manner.
- Began working with ITS to ensure that requirements for retention, destruction, and sanitization of state data are incorporated in policies and standards.
- Participated in the Mississippi Data Management Working Group survey.
- Began creating more general retention schedules that apply to all agencies to reduce the number of agency-specific schedules.

Following the release of the report, the **Department of Information Technology** took the following actions:

- Reviewed existing enterprise security policies and standards and confirmed that requirements for protecting data and IT resources throughout their life cycle are incorporated into the State's Enterprise Security Policy.
- Began working to align the Enterprise Security Policy with the National Institute of Standards and Technology Cybersecurity Framework and other industry standards.
- Shared available resources, policies, and state government IT-related statistics with the MDAH.
- Participated the Mississippi Data Management Working Group.

Impact: State-Owned Vehicles

Management of Mississippi's State-Owned Vehicles: Data Quality, the Control Environment, and Recent Statutory Changes (Report #613)

As of February 2017, the state owned 7,145 fleet vehicles across 60 agencies with an acquisition value of \$193,973,583.82. The data currently maintained in MAGIC (the statewide management system) is incomplete and unreliable to manage those assets. Such information as the number and types of state-owned vehicles; vehicle mileage, which indicates extent of use; and maintenance costs over a vehicle's life cycle are lacking.

Factors at both the agency and state level have contributed to the deficiencies. State agencies have not consistently used MAGIC correctly or to its fullest capacity as a vehicle management tool. In addition to agency staff turnover limiting full implementation, users reported finding the system complicated and cumbersome. Some responsibility regarding deficiencies in the state's vehicle information lies with the Bureau of Fleet Management (BFM). Training efforts have not resulted in any significant improvement in data quality nor increased use of the system's capabilities, and there have been no consequences for agencies that do not properly maintain vehicle data.

Department of Finance and Administration policy requires state employees to report specific information in their travel logs (e.g., trip purpose), but agencies inconsistently record that information, and in many cases users simply do not follow the policy. These conditions create an environment for potential misuse and abuse, and PEER found instances of questionable vehicle use and inconsistencies in application of IRS policies regarding calculating fringe benefits for personal vehicle use.

During the 2017 Regular Session, House Bill 938 placed the state under a vehicle moratorium as of July 1, 2017, limiting the purchase of new vehicles, requiring state agencies to utilize a trip optimizer system prior to official travel, and requiring agencies to acquire the lowest cost vehicle option to carry out the agency mission. In addition, the bill provides that the BFM can authorize vehicle purchases only when the data in MAGIC are accurate.

Implementation Actions

Following release of the Committee's report, the **Department of Finance and Administration**:

- Analyzed agency FY 2020 budget requests for vehicles and provided recommendations to the Legislative Budget Office.
- Presented at the 2017 Annual MAGPPA Conference and the 2018 MAGIC Users Meeting.
- Customized MAGIC to assist agencies in assessing data to be corrected or supplemented.
- Developed job aides and a "Fleet Data Cleanup Guide" to assist agencies in data correction.
- Conducted 14 Cleanup Workshops to provide agencies with real-time assistance in correcting their data and to train them in how to complete an audit of their data and correct deficiencies.
- Began working with multiple agencies that are still using legacy systems to capture their data to begin interfacing information from those legacy systems into MAGIC.
- Assigned a new employee to the BFM to assist in data correction and to perform training and audit.
- Disseminated a training survey to agency fleet managers to identify areas that need additional training.
- Began development of a Fleet Manager Certification Program (beginning January 2019) in preparation for the July 1, 2019, policy that only Certified Fleet Managers will be allowed to purchase vehicles.
- Began planning revisions to the Fleet Manual, including requiring annual data integrity audits from agency Executive Directors as well as the annual submission of a vehicle acquisition//use/disposal plan.
- Began discussion with DFA Legal regarding how to offer a more comprehensive policy to state agencies regarding the tax implications of personal use of a business vehicle.

Impact: Pat Harrison Waterway District

A Financial Viability Review of the Pat Harrison Waterway District (Report #614)

Although the Pat Harrison Waterway District has approximately \$6.5 million in unrestricted reserves, uncertainty in the current funding environment leads to concerns about its continuing viability. The district collected approximately \$2.17 million in ad valorem tax revenue in FY 2017, and its gross revenue from parks totaled approximately \$2.59 million in FY 2017. However, when factoring in operational expenses, including both district office costs and maintenance costs, the parks realized a net loss of approximately \$530,000 in FY 2017.

Major expenditures for the district include the operations of its parks and recreational facilities, Works Projects Grant program allocations to member counties, and other long-term liabilities. In FY 2017 the district expended approximately \$2.2 million to operate, staff, and maintain its parks. When factoring in park revenues and district office and maintenance costs, the parks operated at a net loss of \$529,809 for that fiscal year. In addition, the district approved \$399,335 in Works Projects Grant program allocations for 21 projects in FY 2017. The district had \$57,324 in long-term liabilities due in FY 2017. As of June 30, 2016, the district owed \$140,982 in principal and interest to the Corps of Engineers over the next three fiscal years.

As of June 30, 2016, the Pat Harrison Waterway District had cash reserves totaling \$8,483,505, which included \$1,905,349 in cash set aside to pay counties upon the completion of county works projects. Also at the close of FY 2016, the district held \$6,578,156 in unrestricted cash reserves to support future operations. If the district were to experience a loss comparable to that of FY 2017 (\$530,000) on an annual basis, based on its current cash reserve it would exhaust the reserve after 18.5 years.

Along with the potential for operating losses, the Pat Harrison Waterway District faces other environmental threats to its long-term sustainability.

The district's 10 remaining member counties' ad valorem tax collection revenues range from \$59,000 to \$435,000; thus, the financial impact could be quite significant depending upon the county exiting. With five counties having already departed, FY 2018 ad valorem tax collections will be down 18% compared to FY 2017 and 36% (\$1,000,000) compared to FY 2011. Declining ad valorem revenues place increased pressure on parks to become self-sufficient. Furthermore, the unknown cost to manage and operate two proposed lake developments—the Pascagoula River Drought Resiliency Project in George County and the Smith County Recreational Project in Smith County—represent a potential increase in expenditures.

In addition, certain provisions in Chapter 222, *Laws of 1962* give prior owners or their heirs the right to reacquire property previously purchased or otherwise acquired from them. This right could effectively impair the district's ability to bundle several tracts together for sale because the heirs of a small portion of such land would have the right to purchase the property back from the district.

Implementation Actions

Following the release of the Committee's report, the **Pat Harrison Waterway District** took the following actions:

- Sought legislative changes to require exiting member counties to do so with an effective date of the fiscal year-end, June 30, and to impose a deadline by which member counties must complete approved Works Projects Grant program projects and request reimbursement from the district and stipulate that if they fail to do so, the funds will be returned to the PHWD's Works Projects Grant program to be disbursed in the following year (neither was passed).
- Contracted with an independent agent to work closely with the University of Southern Mississippi to further the marketing of its parks to increase the volume of guests per year.
- Reached out to Harrison, Hancock, Franklin, and other former counties regarding membership.

Impact: Funding for Charter Schools

FY 2017 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board (Report #615)

The Mississippi Charter School Authorizer Board is the sole authorizing body for charter schools in the state and is responsible for oversight of the schools' operations. MCSAB responsibilities include developing chartering policies, reviewing charter school applications, deciding whether to approve or reject applications (including renewal applications), entering into charter contracts with applicants, overseeing charter schools, and, when necessary, revoking a charter school's contract.

During the 2016 Regular Session the Legislature amended the "Mississippi Charter Schools Act of 2013" to include the following:

- To allow students in districts rated "C," "D," or "F" to cross district lines to attend charter schools;
- To require charter schools to meet or exceed graduation requirements set by the State Board of Education for a regular high school diploma; and
- To require that Mississippi Adequate Education Program payments to charter schools be reconciled each year using average daily attendance for months two and three, with the reconciliation being applied to the following year's MAEP payments.

Per state law, the MCSAB may approve a maximum of 15 qualified charter applications during a fiscal year. Through the 2017 application cycle, the board had evaluated 28 applications, denying 24 while approving four, including one new charter school to be located in the Clarksdale Municipal School District.

In September 2017, the U.S. Department of Education awarded a five-year, \$15 million grant to the Mississippi Charter School Authorizer Board to help expand the state's charter school sector. The board aims to increase the number of 15,000 additional seats.

Charter schools receive funding from state sources, local ad valorem taxes, federal funds, and through fund-raising and other sources, such as grants and gifts. During the 2016–2017 school year, Midtown Public received approximately \$1.6 million, Reimagine Prep approximately \$2.75 million, and Smilow Prep approximately \$2 million from MAEP funding, local ad valorem taxes, federal funds, and other sources.

For FY 2017, Midtown Public, Reimagine Prep, and Smilow Prep received state and local support payments in a manner consistent with payments to other school districts that receive MAEP funds and with the school districts in which charter school students reside. However, the local ad valorem pro rata calculation provides unequal shares between charter schools and the school districts. Further, the statute does not require that local ad valorem support to charter schools be reconciled annually, as it does for MAEP payments.

PEER reviewed each charter school's audited financial statements for FY 2017 to determine whether revenues were sufficient to cover the schools' expenditures. The difference in revenues and expenditures for Reimagine Prep was \$140,046 and the difference for Smilow Prep was \$498,712—both schools' revenues exceeding expenses. However, Midtown's revenues failed to cover its expenses by \$133,206, which according to the school, was due to such costs as building expansion, desks, books, and the loss of the 21st Century Grant.

Under state law, the MCSAB receives 3% of annual per-pupil allocations received by charter schools from state and local sources. As occurred in FY 2016, funding from the 3% fee of annual per-pupil allocations was insufficient to fully fund MCSAB operations in FY 2017. The Legislature included additional funding for the board in Institutions of Higher Learning—appropriated funding.

If Mississippi charter schools receive FY 2018 per-student funding equal to amounts received during FY 2017, enrollment of 2,643 charter school students will be necessary revenue from the 3% fees. The contracts between the charter schools and the board project FY 2018 enrollment to be 776 students.

Until charter school enrollment reaches a level sufficient for the 3% fee combined with any gifts, grants, or donations the authorizer board may receive is large enough to fully fund the board's operations, supplemental legislative funding will continue to be necessary.

Implementation Actions

Following the release of the Committee's report, the **Mississippi School Authorizer Board (MCSAB)** reported that it has worked with the charter schools and the Mississippi Department of Education for the past two fiscal years to establish a crosswalk between the Mississippi local school district accounting manual's chart of accounts and the chart of accounts used by each charter school operator.

Impact: Department of Corrections' Food Service Delivery

A Compliance Review of Mississippi Department of Corrections' Food Service Delivery Contract (Report #616)

On July 1, 2016, Aramark began providing on-site management of the food service delivery program of the Mississippi Department of Corrections, becoming responsible for food preparation and delivery to 22 correctional locations throughout the state. "Management" includes supplying and preparing daily meals for inmates, maintaining kitchen equipment, and ensuring clean, safe kitchens and food preparation areas. With an estimated total value of approximately \$36 million, the contract will continue through June 30, 2019, with a one-time option for a one-year renewal that would extend the contract to June 30, 2020.

The contract requires Aramark to provide on-site management staff at all kitchen facilities during the hours of operation, as well as any warehouse and delivery personnel needed to ensure efficient and timely distribution of food. Furthermore, these employees are to be trained in correctional food services, and food service personnel are to be ServSafe certified, as appropriate, if working in food preparation areas. In addition, Aramark must handle routine maintenance and service for kitchen equipment at the Mississippi State Penitentiary, Central Mississippi Correctional Facility, and South Mississippi Correctional Institution, as well as for vehicles used in food service operations.

Aramark is not providing the staffing levels required by contract. PEER review of staffing levels at three prison facilities revealed that Aramark had hired subcontractors for maintenance positions and had consolidated titles/duties into fewer positions than stipulated in the contract. In neither instance did the Mississippi Department of Corrections grant Aramark authority to alter its staffing obligations nor act to enforce the contract terms.

The contract stipulates that all new Aramark employees receive 40 hours of MDOC orientation training pertaining to MDOC policy and procedures during their first year of employment as well as inmate interaction safety training. However, Aramark provides new employee orientation in-house using its own instructional material. It does so without having received MDOC approval. In addition, the MDOC has not reviewed the material for comparison to its own training material to assess its appropriateness. Although the MDOC has the authority to bar any Aramark employee who has not received orientation training from the grounds of any correctional facility, the department has not exercised this authority.

Aramark has, however, met the terms of the contract that require employees at Parchman, CMCF, and SMCI to participate in 40 hours of MDOC-approved in-service training each year by providing safety, sanitation, and food-handling training.

The contract also requires Aramark to maximize the use of reduced-cost food programs, such as USDA commodity programs, and use of MDOC farm products when available to offset the costs of the contract (food products obtained through these sources are credited to the MDOC and reduce its payments to Aramark for food service delivery). The Mississippi Department of Corrections has sole responsibility to enter into and participate in these programs for its own benefit. However, since 2006, it has not participated in any USDA commodity program, and in recent years the production of food commodities on prison farms has declined, both circumstances potentially resulting in higher food service costs.

Under terms of the contract, Aramark is to provide and deliver three meals per day that meet acceptable nutritional standards. The contract requires that meals meet specified recommended daily allowances for caloric and nutritional intake. An Aramark nutritionist reviews the caloric and nutritional value of the meals provided by Aramark at Parchman, CMCF, SMCI, the community work centers, and the restitution centers. However, Aramark staff reported instances of having altered meal menus. Furthermore, the MDOC does not have an independent nutritionist on staff or on contract to review menus for compliance with the standards required under contract terms.

Food facilities, such as those operating at the three main state prisons, are required by state law to obtain a food permit before they can begin operations. Permits are issued for a period of one year. However, the Mississippi Department of Corrections allowed Aramark to operate without having food permits (at least five months) because it did not require Aramark to submit proof of food permits in a timely manner. In

addition, Aramark did not provide an emergency feeding plan, as required by the contract, to the MDOC until five months into the contract. Furthermore, details of the plan indicated that should an emergency occur the feeding plan would not go into effect until one week after the occurrence.

Because the Mississippi Department of Corrections contracts out its food services, the prison kitchens and food service operations are subject to inspection. A health inspection includes observation and tests to ensure that the facility is abiding by Mississippi State Department of Health requirements for food storage temperatures as well as proper food handling and preparation practices and following proper sanitation and cleaning procedures. The MSDH also conducts annual permit renewal inspections. The MSDH has conducted inspections at each of the three public prisons since Aramark's contract began on July 1, 2016: three at CMCF, three at SMCI, and six inspections at Parchman (where critical violations led to repeat inspections).

At Parchman, the MSDH closed one of two production kitchens approximately three weeks into the Aramark contract in July 2016 after finding poor conditions, repeated violations, and inoperable equipment. After the MDOC corrected the problems, the kitchen reopened in June 2017. However, the second kitchen was subsequently closed because of structural damage and equipment issues and now is used exclusively as a serving area. Aramark received a "B" for both kitchens during its permit renewal inspection in October 2017. The MSDH inspector voiced concern about the seriously deteriorated condition of the floor in both kitchens and a significant amount of inoperable equipment that should have been marked as "out of order," in addition to a large number of damaged or inoperable food warmers previously noted during inspection.

Aramark received an "A" on its original permit inspection at Central Mississippi Correctional Facility, on August 9, 2016, followed by a "B" in February 2017, and a "B" on its most recent inspection for renewal of its permit on September 14, 2017. The MSDH inspector voiced concern about the dangers of working on the seriously deteriorated kitchen floor.

For the South Mississippi Correctional Institution, Aramark received an "A" for its original permit inspection on October 31, 2016, followed by a "B" on May 16, 2017, and a "B" during its permit renewal inspection on October 5, 2017. The health inspector expressed concern regarding the need to place out-of-order signs on inoperable equipment, leaking ceiling pipes, extensive corrosion of ductwork below the ceiling, and the dangers of working on deteriorating floors.

Implementation Actions

Following the release of the Committee's report, the **Mississippi Department of Corrections** took the following actions:

- Filled vacant positions and is having new employees attend its new employee orientation.
- Contacted the Mississippi Department of Health and Mr. Ray Horton inquiring about a dietitian to oversee the dietary allowances for each menu.
- Requested an application from USDA to apply for any future bonus products.
- Plans to make regulations and requirements for drug testing on food service contract employees and emergency plans specific and detailed in the next RFP.
- Reached out to other states requesting the penalty clauses that are in their food contracts, with plans to implement a penalty clause into its next contract amendment or RFP.

CY 2018 PEER Reports

Report #617: *A Limited Management and Compliance Review of Harrison County, January 8, 2018*

Report #618: *Selected Issues: Mississippi Department of Transportation and the Office of State Aid Road Construction, April 11, 2018*

Report #619: *2017 Update on Financial Soundness of the Public Employees' Retirement System, April 11, 2018*

Report #620: *A Review of the Mississippi Prison Industries Corporation, May 15, 2018*

Report #621: *A Review of the Board of Licensure for Professional Engineers and Surveyors, August 21, 2018*

Report #622: *Public Utility Regulation: Mississippi and Other States' Structures, August 21, 2018*

Report #623: *A Review of Local Tax Levies, September 12, 2018*

Issue Brief #2 *Opportunities for Improving the Outcomes of Juvenile Justice Intervention Programs at the Oakley Youth Development Center, September 22, 2018*

Report #624: *A Review of the Procurement and Oversight of the Division of Medicaid's Non-Emergency Transportation Brokerage Contract, November 6, 2018*

Report #625: *One-Time Census of Populations in Mississippi's Juvenile Detention Centers and County Jails, November 6, 2018*

Report #626: *A Review of the Jackson Convention and Visitors Bureau, November 27, 2018*

Report #627: *A Review of the Mississippi Department of Child Protection Services for Fiscal Years 2017 and 2018, November 27, 2018*

Report #628: *A Statutory Review of Mississippi's Education Scholarship Account Program, December 11, 2018*

Report #629: *FY 2018 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board*, December 11, 2018

See PEER website (peer.ms.gov) for full text of reports.

CY 2018 PEER Report Impacts

Impact: Harrison County

A Limited Management and Compliance Review of Harrison County (Report #617)

The “County Government Reorganization Act of 1988” mandated a centralized purchasing system that placed controls on procurements by individual county supervisors. Additionally, the legislation provided for the use of county administrators and a central inventory system in all counties, and established the unit system of road and bridge fund management to foster efficient use of road and bridge resources. A county operating under the unit system of government must manage its road and bridge resources for the benefit of the county as a whole and not according to the unique interests and concerns of any of its districts. Although Harrison County complies with the formal requisites of unit system law, certain county practices fail to realize the efficiencies of the system, are noncompliant, or represent questionable or inadvisable use of funds.

Operation of Five Repair and Maintenance Facilities

Harrison County operates five road repair and maintenance facilities, one in each of the five supervisors’ districts. In so doing, it fails to efficiently allocate resources based on road miles under management. Three districts each have more than 150 miles of road to manage and oversee, whereas the remaining two districts have 60 miles and 7, respectively, reflecting a disparity in employees per mile under supervision between districts, ranging from 1:1 to 1:14.68. Continued use of facilities in the districts with fewest miles under management draws resources away areas with the greatest need for road maintenance, based on actual mileage of roads under county control.

Lack of Priorities in County Road Plan

Although Harrison County has a current four-year road plan outlining road projects and their funding methods, no determination of priorities for the particular miles of road to be paved or reconstructed has been made. Without established priorities, paving and other road and bridge maintenance decisions may reflect only the preferences or concerns of a particular supervisor.

Noncompliant Use of Road and Bridge Levy Resources

Per MISS. CODE ANN. Sections 65-15-1 and 65-13-7, funds levied for roads, bridges, and culverts may be used only for road and bridge construction and maintenance, and most activity of the county follows this mandate. However, the Harrison County Board of Supervisors has also used road and bridge funds to support recreational facilities.

Questionable Use of Escrow Funds

Although within the scope of state law, the Harrison County Board of Supervisors expends escrow funds imprudently without any measurable, collective benefit to the county and allocates escrow collections among the five supervisors’ districts, allowing each supervisor to make decisions regarding specific expenditures.

In addition, the Harrison County Board of Supervisors expended \$98,364 and \$106,709 during fiscal years 2016 and 2017, respectively, in escrow funds to “advertise county resources” in event programs and other printed materials, banners, signage, and T-shirts or sports jerseys. While not contrary to state law, the practicality of expending escrow funds on local advertising is questionable.

Travel Expenditures

For county fiscal years 2016, 2017, and 2018 (as of November 30, 2017), the Harrison County Board of Supervisors expended approximately \$73,000 on in-state and out-of-state travel associated with attendance at conferences and events.

A review of reimbursements related to these expenses showed 33 instances in which supervisors' travel expenditures were not compliant with state law or state or county travel policies. These instances of noncompliance demonstrate county officials' poor internal control over travel expenditures.

Executive Sessions

Contrary to Mississippi's policy on the transaction of business in an open setting, according to the minutes of the Harrison County Board of Supervisors, during several meetings held between October 2015 and September 2017, the board went into executive session, and its announcements to the public and the recitation of reasons for going into closed and executive sessions set out in the minutes failed to meet the requirements of the "Open Meetings Law."

Implementation Actions

Following the release of the report, **Harrison County** took the following actions:

- Underwent an audit to ensure all expenditures conform with internal policies and law.
- Reimbursed the road fund \$73,019.99 for work performed for other county departments.
- Reimbursed the road fund \$48,115.38 for other work outside roads as discovered in review.
- Took corrective action as recommended by independent auditors to correct deficiencies in internal control.
- Reviewed the entire Road Department to evaluate whether the order establishing the work centers should be changed.
- Began a search for a new road manager and will address road plan priorities after hire.
- Corrected board minutes to accurately reflect events of closed sessions.

Impact: MDOT and OSARC

Selected Issues: Mississippi Department of Transportation and the Office of State Aid Road Construction (Report #618)

MDOT data show that Mississippi has approximately 9,000 lane miles (33%) in poor or very poor condition as of 2016. Also, although the percentage of deficient bridges has decreased within the past five years (from 2012 to 2017), the state still has 861 deficient bridges (15%) as of 2017.

The Mississippi Department of Transportation receives the majority of its federal funds through the Federal Highway Administration based on specific allocation formulas and receives state funding through legislative appropriations of special funds derived from the state fuel tax and other state taxes and fees. According to MDOT, the type of federal funds received does not impact the timing or selection of MDOT projects for the five-year plan.

To satisfy 540 multiyear project commitments authorized in fiscal year 2017 (or from previous periods), MDOT will be required to expend additional federal and state funds over the next three fiscal years (2018–2020) totaling approximately \$652.3 million, and \$345.7 million, respectively.

Expenditures for capital outlays (i.e., payments to contractors) represent MDOT's greatest expenditure category from FY 2015 to FY 2017, approximately 55%. Total MDOT expenditures were approximately \$1.07 billion, \$1.06 billion, and \$1.15 billion for fiscal years 2015, 2016, and 2017, respectively. MDOT's total expenditures increased by approximately 8% from FY 2015 to FY 2017 primarily because of increases in payments for capital outlays and subsidies, loans, and grants.

PEER also examined MDOT's expenditures by budget and accountability program. For FY 2017, the department spent 86% of its funds on construction and maintenance.

Over the past several years the Mississippi Department of Transportation has shifted its priorities from new construction and system preservation almost exclusively to system preservation. For federal fiscal year 2018, MDOT's five-year plan includes work on 269 projects, with the majority involving bridge replacement/preservation, pavement overlay, and other system-preservation projects.

Since PEER's January 2014 report, MDOT has developed a written policy for prioritizing and selecting its bridge and pavement projects; reprioritized its bridge projects in 2015; and created a bridge prioritization report that includes both quantitative data (replacement indexes) and qualitative data (comments from the Bridge Division and the districts). In addition, it has placed its five-year plan online along with information on the various phases of projects and project changes (e.g., move of a project start date and the reason).

As a result of the Federal Highway Administration's compliance review findings regarding deficiencies of the Office of State Aid Road Construction's current bridge load-rating system, as well as a lack of bridge closure enforcement and concerns for the safety of the traveling public, OSARC and MDOT developed an action plan to meet the requirements of the National Bridge Inspection Standards, a component of which included new timber bridge inspection contracts. PEER estimates an approximate average not-to-exceed cost of \$10,500 per bridge.

Under the new bridge inspection contracts, as of December 7, 2017, consultants had inspected 1,005 bridges, with 166 having critical findings that warranted immediate closure. After determining a bridge closure, a county, which bears the majority of the cost burden for bridge repair, may proceed in several ways; however, the chosen option may require extensive planning or there may be a long wait for funding. The Office of State Aid Road Construction is exploring options to provide county engineers with the additional knowledge and equipment necessary to facilitate transition of the inspection of bridge contracts back to the engineers at the end of the current contract cycle.

Implementation Actions

Following the release of the report, the **Mississippi Department of Transportation** took the following actions:

- Continuing efforts toward greater transparency.
- Increasing communication with the public by making performance metrics available through a dashboard on its website.
- In conjunction with the FHWA, assisting OSARC in revision of its county engineer bridge inspection contracts to emphasize federal guidelines and to schedule training for county engineers on load-rating bridges.

Following the release of the report, the **Office of State Aid Road Construction** took the following actions:

- Working with FHWA and MDOT to ensure that federal guidelines are adhered to and to provide training for county engineers, and increase quality assurance procedures related to bridge inspections.
- Evaluating its procedures in an effort to ensure that state and federal guidelines are met.

Impact: Retirement System

2017 Update on Financial Soundness, Delays in Application Processing, and Legal Issues (Report #619)

The Public Employees' Retirement System consists currently of six plans, or programs:

- Public Employees' Retirement System of Mississippi;
- Mississippi Highway Safety Patrol Retirement System;
- Mississippi Government Employees' Deferred Compensation Plan and Trust;
- Retirement Systems;
- The Supplemental Legislative Retirement Plan; and
- Optional Retirement Plan.

All assets, proceeds, and income of the system as defined herein are held in trust for the exclusive purpose of providing benefit payments and refunds and providing for the system's administrative expenses. Assets of the various plans, excluding the MDC and ORP, are invested collectively at the direction of the PERS Board of Trustees and their advisers. Assets of each member of the MDC and ORP are invested at the direction of the member.

A primary responsibility of the PERS Board is to ensure adequate funding of the plans it administers. One means of accomplishing this is by setting contribution rates for employers participating in the plans. For assistance setting these rates, the PERS Board receives actuarial reports annually and works with its actuarial consultants to create comprehensive models that are used to project the financial position of the various plans. These models include such factors as investment return assumptions, wage inflation assumptions, retirement tables, and retiree mortality tables.

Update on Financial Soundness

As a result of the most recent experience study, as of June 30, 2016, the PERS Board adopted a decrease of 0.50% to the wage inflation assumption for the PERS plan, reducing it from 3.75% to 3.25%. Even with the adoption of this change, over the past five- and 10-year periods the PERS actual average annual payroll increase has fallen below the actuarial model's projected rate of salary increase. Continued analysis of variation between actual and assumed is warranted.

From FY 2007 through FY 2017, the ratio of active members to retired members has decreased by approximately one-third, driven by the increasing number of retirees and the decreasing number of active members. A lower number of active members to retired members results in funding future pension obligations over the payroll of fewer active members. Although the PERS ratio of active members to retired members has declined over the past 10 fiscal years, the PERS active/retiree ratio remained above the national average ratio for other pension plans across the nation. However, in deviation from the national average plan, which has seen active member growth, PERS active membership continues to decline.

PERS Sustainability

The current PERS funding policy is designed to address the past volatility of employer contribution rates within the system by setting the employer contribution rate percentage to a fixed rate of 15.75% of annual compensation. The policy also targets an 80% funding level by 2042 while still reducing the plan's unfunded actuarial accrued liability. In addition to reducing the unfunded actuarial accrued liability, the funding policy should result in more long-term sustainability within the system.

PERS Risk Management and Investment Management

As of June 30, 2017, the PERS funding ratio was 61.1%, an increase from 60% as of June 30, 2016. Even with the increase in funding ratio, actuarial projections show that the PERS Board's originally adopted model's funding goals of an 80% minimum funding ratio in 2042 will not be achieved. Furthermore, the plan has been below its 75% funding threshold for two consecutive periods. There are several options the PERS Board and/or the Legislature could consider to address this issue:

- Request additional employer contributions (PERS Board);
- Make adjustments to the funding policy (PERS Board);
- Maintain the current employer contribution rate and funding policy (PERS Board);
- Make adjustments to the plan (Legislature);
- Change the plan for new members (Legislature).

For fiscal year 2017 the PERS Board of Trustees continued to adhere to the asset allocation model put in place in June 2015. This model continues to set investment level targets for the PERS investment portfolio.

For fiscal year 2017 the PERS plan's combined investment portfolio experienced a return of 14.96%, and the market value of the system's assets was approximately \$26.9 billion.

PERS paid \$95.6 million to investment managers during fiscal year 2017, which represents a combined investment expense rate of 0.36% of the PERS plan's total assets (the expense rate for FY 2016 was 0.36%).

Study of the Causes of the PERS Plan's Unfunded Liability

Unfunded actuarial accrued liability occurs when a pension system's current actuarial value of assets is less than the present value of benefits earned by retirees, inactive members, and current employees as of the valuation date. UAAL takes into consideration the expected investment return of present assets but does not consider future employee or employer contributions.

According to a study conducted by the PERS Board's actuaries, the unfunded actuarial accrued liability, as of June 30, 2016, results from the present value of the initial UAAL as of June 30, 1998; plan benefit changes; changes to plan assumptions; asset gains/losses; and liability experience.

As of June 30, 2016, the Public Employees' Retirement System of Mississippi pension plan had an unfunded actuarial accrued liability of approximately \$16.8 billion. According to the study conducted by PERS actuaries, the unfunded actuarial accrued liability, as of June 30, 2016, results from several factors:

Source	Approximate Liability	Percentage of Total
Present Value of Initial UAAL	\$2.2 billion	13%
Plan Benefit Changes	3.7 billion	22%
Changes to Plan Assumptions	1.4 billion	9%
Asset Gains/Losses	6.3 billion	37%
Liability Experience	3.2 billion	19%
Total	\$16.8 billion	100%

SOURCE: *Analysis of the Funded Status Changes to the Public Employees' Retirement System of Mississippi from June 30, 1998, to June 30, 2016*, Cavanaugh Macdonald Consulting, LLC.

Implementation Actions

The **Public Employees' Retirement System Board of Trustees**, in conjunction with the biennial experience review, made adjustments to the actuarial assumptions in an effort to present a more conservative forecast of the system's future performance. PERS staff noted that the agency has addressed the application processing challenges associated with the agency's conversion to the Mississippi Automated Retirement System.

Impact: Prison Industries

A Review of the Mississippi Prison Industries Corporation (Report #620)

The Mississippi Prison Industries Act of 1990 established the current prison industries program. The act created a nonprofit corporation to operate prison industries independent from but in cooperation with the Mississippi Department of Corrections. The primary mission of the prison industry programs as established by law is to provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing the return of inmates to the system, i.e., reducing recidivism.

MPIC operates eight prison industry work programs at the three state prisons, the Jefferson-Franklin County Correctional Facility, and a warehouse located in Jackson. These programs use inmate labor to manufacture products and services for purchase by state agencies, local governments, educational institutions, and private entities as authorized by state law.

MPIC's audited financial statements for fiscal years 2012 through 2017 showed a significant decline in the financial health and sustainability of the corporation, a decline that threatens MPIC's future viability as an ongoing business enterprise and its ability to operate an effective prison industries program. From FY 2012 through FY 2017, MPIC's ending net position (net worth) declined by \$6.7 million, from approximately \$10 million to \$3.3 million and the fiscal year-end cash balance declined from approximately \$4.8 million to \$560,707. Costs for goods and services, increased payroll, acquisition and construction of capital assets, and capital lease obligations, as well as other expenses, contributed to the significant decrease of approximately \$3.7 million in cash during FY 2016 and FY 2017.

Through February 28, 2018, MPIC's FY 2018 net operating loss totaled \$628,970, including a net operating profit of approximately \$24,000 during February 2018. At the end of February 2018, MPIC's cash balance was \$329,970.

While MPIC's financial operations were relatively stable from FY 2012 through FY 2015, significant operating losses of approximately \$3.5 million during fiscal years 2016 and 2017 have affected the corporation's financial health. Since fiscal year 2015, MPIC has experienced a deterioration of its financial sustainability as the result of losses in long-term product lines, unsuccessful expansion into new product lines, and failure to control administrative overhead expenses, such as salaries and benefits, contractual services, and operating expenses.

Increases in direct costs associated with MPIC product lines without appreciable increases in sales caused five of MPIC's six existing long-term product lines to move from being profitable in FY 2015 to being unprofitable in FY 2017. Costs associated with MPIC's expansion into two new product lines—fish tanks and suture spool recycling—have contributed to a deterioration of the corporation's overall financial condition. In addition, when establishing these two new product lines, MPIC did not conduct marketing feasibility studies, hold public hearings, or consult with Mississippi Delta Community College regarding the lines' financial sustainability as required by state law in the establishment of new product lines.

Administrative overhead expenses associated with MPIC's central office in Jackson increased from \$1,594,494 in FY 2015 to \$2,781,701 in FY 2017 (74%). Despite a freeze on employing new MPIC personnel, wage increases, and year-end incentive payments for all MPIC employees, MPIC salaries and benefits increased 27% from FY 2016 to FY 2017.

Because MDOC and MPIC do not maintain accurate program participant data, it is not possible to determine whether MPIC is fulfilling its statutory mandate to reduce recidivism of program participants.

The participation data available for Mississippi's prison industries program vary significantly from source to source, making it impossible to identify an accurate count of program participants. None of the four datasets examined by PEER had sufficient expected agreement for the data to be deemed reliable.

In addition to the lack of expected agreement between participant datasets, errors within individual datasets included the following:

- The MPIC payroll dataset contained 56 MPIC worker identification numbers with no linkage to worker names or MDOC inmate identification numbers. Each of these 56 inmate worker identification numbers received multiple paychecks.
- The MDOC “All Participants” dataset included 92 cases for which time in the MPIC program was zero or less, indicating that the inmate left the prison industries program before entering the program.

Recidivism rates presented in MPIC’s FY 2016 annual report are not reliable and do not support conclusions regarding the effectiveness of the prison industries program in reducing recidivism:

- Recidivism calculations were performed on an unverified source of data.
- Recidivism calculations involved an unverified subset of the original data.
- Recidivism calculations did not attempt to distinguish program effects from chance or confounding effects.
- Recidivism calculations should be made from all participants, not year-plus participants.

The National Institute of Corrections Guide and high-quality research on prison industries programs identify best practices for inmate worker employment. The following MPIC inmate worker employment practices do not align with best practices, which impedes the corporation’s ability to reduce recidivism:

- Maximizing the number of prison industry job opportunities available to inmate workers.
- Targeting the inmate population most likely to yield a reduction in recidivism.
- Employing inmate workers in industries with job prospects in Mississippi.

Implementation Actions

Following release of the report, the **MPIC Board and MPIC leadership** took the following actions:

- Developed a plan to once again become financially sustainable.
- Removed CEO and Vice President of Sales and Marketing.
- Began working to secure a line of credit to provide cash to support operations while looking to open new work programs in two regional facilities.
- Planned to work with the MDOC and the National Strategic Planning and Analysis Research Center on data collection and evaluation of recidivism.
- Conducted a program review to establish which work programs provide valuable work skills and are sustainable.
- Consulted with the board attorney regarding use of Chapter 11 to provide time to reorganize the business and operations and Chapter 7 if necessary.

Impact: Professional Engineers and Surveyors

A Review of the Board of Licensure for Professional Engineers and Surveyors (Report #621)

The review found that:

- The board met its statutory responsibilities for licensing and regulating the profession.
- The board lacked a set policy regarding when fines should be assessed and the amounts.
- The board also did not comply with state law regarding timely deposits of checks.
- The board office regularly closed before 5 pm. in violation of state law.
- The former and current Executive Directors granted the staff paid days of administrative leave outside of the reasons allowable in state law.
- The board did not use technology in the most efficient manner.
- The board was not current with licensing practices of other boards.

Implementation Actions

Following the release of the Committee's report and a six-month follow-up, the **Legislature** and the **Board of Licensure for Professional Engineers and Surveyors** reported the following actions:

Statutory:

- In the 2019 Regular Session, the Legislature passed House Bill 1288 to allow for biennial renewal of licenses. This action should alleviate burdens placed on staff during renewal periods and brings Mississippi into alignment with the majority of other states. The board plans to begin issuing biennial renewals in 2021.

Board-implemented:

- In December 2018, the board filed a reduction of leave for all staff in violation of state law regarding administrative leave.
- The board asserts that it is now in compliance with state law regarding timely deposits and regular office hours.
- The board has been collaborating with the Mississippi Department of Information Technology Services to maximize the use of its licensing system.
- The board contracted with Mississippi Interactive, LLC to develop a new, more user-friendly website.
- The board is now in alignment with other state engineering/surveying boards by voting to "decouple," which allows an applicant to take the licensing exam without the experience prerequisite.
- To alleviate the board's personnel conflicts, the board is requiring the Executive Director and staff to complete certain training and classes. Also, the board has asked the Executive Director to identify and implement staff events to improve trust and respect among staff, and provide updates to the board bi-monthly.

Impact: Public Utility Regulation

Public Utility Regulation: Mississippi and Other States' Structures (Report #622)

None of the states contiguous to Mississippi organize their public utility regulatory agencies as Mississippi does. Staff members involved in the regulation of utilities work in the same organization with the commissioners who carry out quasi- legislative and judicial functions.

Beyond the contiguous states, other models of regulation appear. Several bear similarities to the model of regulation in Mississippi in that, within them, certain functions are moved away from the state public service commission and placed under other agencies. The "other agency" may be a separate agency established specifically to carry out certain aspects of utility regulation or may be an agency of government with broad powers extending beyond utility regulation, e.g., Office of the Attorney General.

States take different approaches to the structure of regulatory bodies. Mississippi, like several states, chooses to place staff in separate entities. Although the states contiguous to Mississippi tend to use a more traditional structure of placing all regulatory activities in one agency, others do not. A review of literature shows that there is no "best practice" with respect to the structure of a public utility regulatory body. Although there are best practices for utility regulatory bodies, none address the issue of structure and assignment of duties to regulators.

In 2009, PEER reported on a general lack of best practices that could guide the structure and assignment of duties to utility regulators. The National Regulator Research Institute (NRRI) has since developed some best practices. In 2017, the NRRI completed an extensive review titled "Evaluation of Public Regulation Commission Staffing and Budget Allocation." The study focused on certain aspects of commission staffing. The report takes no position whether separation of combination of staffs into a single agency should be considered a best practice, and none of its best practices addressing the conditions necessary for a regulatory body to be effective at carrying out its mission are specifically directed toward a particular legal or organizational structure.

Implementation Actions

Senate Bill 2393, 2019 Regular Session, would have revised the powers and duties of the Public Utilities staff. This bill was introduced, but died in committee.

Impact: Local Special Tax Levies

A Review of Local Special Tax Levies (Report #623)

Although MISS. CODE ANN. Sections 19-3-40(3)(a) and 21-17-5(2)(a) (1972) prohibit county and municipal governing authorities from levying taxes of any kind or increasing the levy of any authorized tax unless specifically authorized by another state statute, a county or municipal governing authority wanting to utilize an additional funding source for tourism or other development may present a request to the Legislature for a bill providing specific authority for such taxation within its jurisdiction.

Commonly, special tax levy legislation will specify a stated purpose, tax jurisdiction, tax rate, and covered businesses and individuals; provide for administrative organization and oversight; and often assign a repealer date. In Mississippi these taxes have been levied for the following general purposes: 1) promotion of the locality; 2) tourism development; 3) recreation development; 4) fostering retirement communities; 6) local and/or regional infrastructure debt service for acquisition, repair, or upgrades; 7) business attraction in the form of industrial park or convention center construction; and 8) indebtedness of municipalities.

Since 1972, and as of July 1, 2018, 88 local tourism and economic development taxes are currently authorized by the Legislature, with 82 approved locally and in effect throughout the state. Entities conducting business in lodging, prepared food and beverage, and alcohol sales are subject to these taxes. In total, for federal fiscal year 2017 (October 1-September 30), special tax levies generated more than \$96 million.

Businesses subject to special tax levies remit these collections to the Department of Revenue (DOR) as part of their normal sales tax submissions, whereupon the DOR will process these filings and remit the proceeds, minus a 3% administrative processing fee, to the appropriate local governing authority. If required under the provisions of a special tax levy, these funds will be transferred to a designated administrative body (such as a board, partnership, or commission).

In review of the 82 local special tax levies being collected in the state as of July 1, 2018, PEER observed characteristics in structure and content that could impede a jurisdiction's success in meeting its objectives, including an inability to articulate the locality's specific goal and the amount of resources needed or repealer dates, as well as exact methods for making budget and expenditure projections and a lack of metrics to assess the effectiveness of these tax levies.

State law does not provide for procedures, nor do local governing authorities have a method, for determining whether all businesses are collecting and remitting the correct amount of special tax levy revenue to the DOR for distribution to the specified local governing authority. No specific procedures exist—at state or local levels—to ensure a local business's accurate collection and remittance of special tax levies to the DOR and distribution to the locality for its specified purposes.

The only state-level control in place to determine whether businesses are remitting the correct amount of tax revenues is the DOR's normal sales tax audit program; however, it audits only 3% of registered businesses statewide each year in normal sales tax audits, and, of these audits, approximately 85% generate a noncompliant result. This may indicate that local governing authorities are not receiving all funds that should be generated under the special tax levies.

Furthermore, each local tourism and economic development tax's authorizing legislation specifies broad areas for which expenditures may be used. Beyond these broad specifications, local governing authorities must establish internal controls to ensure proper expenditure of collected funds and audit of funds collected.

Impact: Improving Outcomes of Juvenile Justice Programs at the Oakley Youth Development Center

Opportunities for Improving the Outcomes of Juvenile Justice Intervention Programs at the Oakley Youth Development Center (Issue Brief #2)

The primary objective of juvenile justice intervention programs is to provide rehabilitative and skill-building treatments designed to improve youth development outcomes and promote prosocial behavior thereby reducing recidivism and avoiding its associated cost.

Commitment of a youth offender to the Oakley Youth Development Center (OYDC), the state's only secure residential facility, is the most restrictive and highest cost of the disposition options available to Mississippi's youth court judges.

The majority of OYDC financial resources are expended on operational costs associated with providing for the wellbeing and safety of the youth offenders housed there. An estimated \$373,000 (representing 2.6% of total OYDC expenditures) was expended on juvenile justice intervention programs in FY 2017. Six of the 18 intervention programs offered at OYDC were supported by high quality research. These programs focused on non-core academic instruction (e.g., career technical educational) and cognitive behavior therapy for substance use disorders. When implemented with fidelity to program design, programs supported by high-quality research have the potential to result in cost savings to the state.

In FY 2017, OYDC expended an estimated \$113,332 (31%) on programs for which there is no known high-quality research showing their effectiveness in reducing recidivism or achieving other targeted outcomes for justice-involved youth.

Opportunity exists to improve the outcomes that OYDC is achieving by ensuring the limited resources that it currently expends on juvenile justice intervention programs are spent on programs supported by high-quality research.

What steps can OYDC take to improve the impact of juvenile justice intervention program dollars?

1. Move financial resources out of programs with no known high-quality research of their effectiveness into programs that high-quality research shows to be effective.
2. Ensure delivery of high-quality programs with fidelity to the critical elements of program design.
3. Manage the monetized benefits that will accrue to the state and society from a reduction in subsequent delinquent contact with the juvenile justice system and potential future involvement in the adult criminal justice system. It is more effective to faithfully execute a few high-quality programs than to execute many high-quality programs poorly.

Impact: Procurement and Oversight of Medicaid's Transportation Contract

A Review of the Procurement and Oversight of the Division of Medicaid's Non-Emergency Transportation Brokerage Contract (Report #624)

Senate Bill 2836, 2018 Regular Session, requires the PEER Committee to conduct a performance evaluation of the Division of Medicaid's (DOM) non-emergency transportation (NET) program to evaluate the administration of the program and the provider of transportation services to individuals served under the program. A Medicaid non-emergency transportation program provides trips to and from scheduled Medicaid-enrolled provider appointments for eligible Medicaid beneficiaries. Mississippi currently uses the private brokerage service delivery model where states contract with a private company to connect riders with transportation providers. Since 2013, the DOM has contracted with Medical Transportation Management, Inc., (MTM) as its NET broker. The 2013 NET contract was for three years with two optional one-year extensions. Implementation of the contract terms were set to extend from July 1, 2014, to June 30, 2017.

Although a Medicaid beneficiary may be eligible to participate in the NET program, he or she may not choose to utilize the services. According to data provided by the Division of Medicaid, in May 2018, of the 126,522 total eligible Medicaid beneficiaries, 9,583 individuals utilized the NET program, while 116,939 beneficiaries met the eligibility requirements for the NET program but did not utilize services. Between January 2016 and June 2018, the non-emergency transportation program provided 1.8 million rides to Medicaid beneficiaries.

The DOM began a procurement for a new NET broker in May 2018 and changed the procurement process from request for proposal (RFP), used in 2013 and 2017, to invitation for bids (IFB). By using the IFB process to procure the NET broker contract, the DOM focused the 2018 procurement more heavily on cost considerations and decreased the cost cap of the NET program by 17% in comparison to the 2013 NET broker contract. The Public Procurement Review Board approved the 2018 non-emergency transportation contract on September 11, 2018, at a cost cap (a cost not to exceed) of \$96,776,053.76. The 2013 non-emergency transportation contract, excluding any amendments or extensions, was originally set at a cost not to exceed \$117,230,259, more than \$20 million higher than the cost cap of the 2018 contract. The 2018 NET contract uses a new utilization-based payment methodology to prevent including a payment for the same beneficiary twice in the same month. The DOM will track NET costs under the new utilization-based payment methodology by collecting records of each time a beneficiary has an encounter with the NET provider or other transportation service, in addition to conducting audits to reconcile data uploaded to Medical Transportation Management from NET providers.

The DOM outlines performance measures in each NET broker contract. These include beneficiary wait times, trip authorizations, NET driver requirements, and call center operations. For the 2018 NET broker contract, the DOM updated the contract to include the performance measures established within the 2013 NET contract and 21 new or updated performance measures and requirements. The DOM monitors performance data and documentation submitted in MTM's required monthly reports. Other oversight methods include conducting bimonthly management meetings with MTM staff, compliance investigations, and on-site audits and reviews.

The DOM receives reports from MTM on a monthly, quarterly, and annual basis containing data that outline how the MTM and NET providers performed against the performance standards outlined in the contract and monitors these data trends.

Implementation Actions

Following the release of the Committee's report, the **Division of Medicaid** chose to minimize costs by using IFB, to improve the quality and utilization of monthly reports to enhance service quality, and to increase contractor transparency with NET providers by requiring MTM to share reporting requirements and requiring MTM to provide NET providers the complaint and grievance policies.

Impact: One-time Census of Juvenile Detention Centers and County Jails

A One-Time Census of Populations in Mississippi Juvenile Detention Centers and County Jails (Report #625)

Section 7 of House Bill 387 of the 2018 Regular Session of the Mississippi Legislature requires PEER to conduct a one-time census of populations in juvenile detention centers and in county and municipal jails in Mississippi. The bill identifies the following nine data elements for collection:

1. number of individuals detained for a new offense or delinquent act;
2. number of individuals detained for pretrial;
3. number of offenders detained for a revocation of supervision;
4. average sentence length for new jail sentences by offense type;
5. average sentence length for offenders in jail for a probation revocation;
6. average sentence length for offenders in jail for a parole revocation;
7. percentage of sentences in each category offense type, including whether the offense was violent, property, drug, or public order. All drug offenses shall include the type of drug implicated in the offense, as well as the type of offense, such as possession, sale, or manufacture;
8. average length of stay by offense type; and
9. for individuals awaiting trial, the average length of stay from the time of their arrest to the time of indictment and from the time of indictment to trial.

The lack of a uniform reporting method or system for use by counties within the state inhibits the collection of data for analysis as required by H.B. 387. Without a centralized database, collection of the data prescribed in H.B. 387 is possible only by contacting each individual county sheriff's office. The limitations in the data prevent judicial officers from proper execution of duties as prescribed in Rule 8.5(c) of the Mississippi Rules of Criminal Procedure, which can result in unjust incarceration periods and a waste of state resources.

Because of the current limits of data collection and lack of uniform reporting as described in this report, PEER examined current jail census practices to evaluate an alternative method that could produce the data necessary for analysis in accordance with H.B. 387 and determined that the Administrative Office of Courts could provide an effective option for centralized collection of the necessary data. With proper collection, judicial officers would have the information as set out in Rule 8.5(c) needed to make determinations for release of individuals being held on misdemeanor charges who are not a threat to society and/or may not be able to make bail. This reduces the likelihood of extended incarceration periods and could provide substantial cost savings to the state.

Because juvenile detention centers only hold individuals who have committed a "delinquent act" by court order, this population cannot be analyzed in the same manner as adult detainee populations in county and municipal facilities. PEER surveyed each of the 15 juvenile detention centers within the state regarding the three data requests of H.B. 387 relevant to the juvenile population: the number of individuals being held, their race and gender, and length of detainment.

Implementation Actions

Following the release of the Committee's report, the **Legislature** introduced H.B. 1352, which was a criminal justice reform bill. The Senate amended H.B. 1352 to have required, among other things, a mechanism for an annual jail census. This Senate language, however, was not included in the adopted conference bill.

Impact: Jackson Convention and Visitors Bureau

A Review of the Jackson Convention and Visitors Bureau (Report #626)

House Bill 1637, 2018 Regular Session, authorized PEER to conduct “a review of the [Jackson Convention and Visitor’s Bureau (a.k.a. Visit Jackson)], which shall include, but not be limited to, accounting practices, office operations, administration, staffing, resource utilization and other best practices of facility management.”

PEER limited its review to those items specified in House Bill 1637. Particularly, concerns were raised about the timeliness of appointments to the Jackson Convention and Visitor’s Bureau (JCVB) Board of Directors; the proportion of the JCVB budget allocated to staffing costs; whether the JCVB is best utilizing its resources to promote tourism in Jackson; and whether the JCVB Board of Directors exercises adequate oversight over JCVB operations.

Section 14(1)(b) of H.B. 1637 provides that the PEER Committee may contract with a private contractor or contractors to conduct the review of the Jackson Convention and Visitors Bureau mandated by the bill. PEER developed and advertised a request for proposal (RFP) that included a scope of work to address the areas of JCVB’s operations included in H.B. 1637. In response to the RFP, PEER received written proposals from three consultants and determined Destination Services submitted the best proposal, which was also the lowest cost.

PEER concluded that:

- JCVB Board Member appointments have not been made in a timely manner.
- JCVB expenditures have increased at a faster pace than JCVB revenues, leading to deficit spending.
- JCVB’s strategic plan and marketing plan are not utilized.
- PEER could not determine through JCVB’s performance metrics how it utilizes data collected to steer operations in order to meet its objectives.
- JCVB allocates funding to legacy programs without determining if the funding could better be reallocated.
- Tourism-related stakeholders believe there are opportunities for the JCVB to improve its operations.

Implementation Actions

Following the release of the report there was a six-month follow-up. The **Jackson Convention and Visitor’s Bureau** reported the following:

The JCVB did not take immediate action on board appointments, as recommended, because House Bill 1706 (2019 Regular Session) restructured both the JCVB Board and the Jackson Convention Center Commission (JCCC). This bill required that both boards be reseated and eliminated the previous ability of board members to carry over. These new appointments are to occur within 90 days of July 1, 2019. Based on this, the PEER Committee authorized an additional JCVB follow-up to occur in the fall of 2019 to see if board appointments complied with the law.

The JCVB did develop five stakeholder advisory committees to enhance stakeholder engagement in the metro area as well as requiring quarterly updates on these activities. The JCVB also has updated its estimated economic impact formula to more accurately reflect the financial impact of its activities and events brought into Jackson. The JCVB made changes in its sales operations to better utilize its customer management software and invested resources into training for its sales team. Regarding staffing recommendations, the JCVB established monthly staff meetings, modified all job descriptions, and removed administrative responsibilities from non-administrative sales and marketing staff. The JCVB also is examining potential vendors and funding partners to conduct a Jackson Destination Masterplan, which includes a deliverable for a new JCVB five-year strategic plan.

Impact: Child Protection Services

A Review of the Mississippi Department of Child Protection Services for Fiscal Years 2017 and 2018 (Report #627)

The Olivia Y. lawsuit, filed on March 30, 2004, has influenced the way child protection services are delivered in the State of Mississippi. Plaintiffs in the lawsuit alleged that Mississippi's child welfare system failed to adequately protect and care for the state's abused and neglected children. On January 4, 2008, Mississippi settled the lawsuit by entering into a court-monitored settlement agreement to reform its child welfare system.

In response to a remedial order in the Olivia Y. lawsuit, the Mississippi Legislature passed S.B. 2179 during its 2016 Regular Session to create the Mississippi Department of Child Protection Services (MDCPS). The Governor signed the act, codified as MISS. CODE ANN. Section 43-26-1 (1972), into effect on May 13, 2016. As the result of unanticipated issues related to MDCPS's access to federal funds as a separate agency from the Mississippi Department of Human Services (MDHS), as well as identified efficiencies through administrative services that could be provided by MDHS staff, the Legislature amended the act during the 2018 Regular Session, to maintain MDCPS as a subagency independent of, though housed within MDHS. The Commissioner of MDCPS maintains operational control of MDCPS except for administrative services provided to the department by MDHS staff. MDCPS provides intake, child protection investigation, foster care, adoption, licensure, and in-home services to families and children at the local level through 84 county offices (Bolivar and Chickasaw each have two county offices) overseen by 14 Regional Directors. As of May 31, 2018, MDCPS had a total of 1,603 employees.

MISS. CODE ANN. Section 43-26-1 (7) (1972) requires PEER to review the programs of the MDCPS on an annual basis, beginning with FY 2017.

Due to recurring MDCPS revenue shortfalls in FY 2018, PEER has concerns regarding the accuracy of the department's funding data. According to MDCPS staff, total funding for MDCPS increased by \$5.5 million, from \$182.4 million in FY 2017 to \$187.9 million in FY 2018. In FY 2018, federal funds increased by \$20.6 million and state support special funds declined from \$13.4 million to zero.

PEER recommends:

- The State Auditor should conduct a forensic audit of MDCPS's revenues and expenditures for FY 2018 and FY 2019 to determine why revenue shortfalls occurred, how they can be prevented in the future, and how the accuracy of MDCPS revenue and expenditure data can be improved.
- The Legislature should consider adding language in MDHS's appropriation bill to require MDCPS to submit revenue and expenditure data on a monthly basis to LBO and PEER.
- MDCPS should estimate and identify expenditures and FTEs by accountability program.
- MDCPS should consider PEER's recommended budget programs and work with LBO and DFA to determine which budget programs to add to MDCPS's budget by FY 2021.

The Mississippi Department of Child Protection Services is not in compliance with the weighted caseload standards, supervisory standards, or percentage-compliant mandates set forth in the Olivia Y. Settlement Agreement. MDCPS's current caseload standards, which were adopted over 12 years ago, do not reflect current child welfare practice. The percentage-compliant mandate does not show the average caseload of a caseworker or the range of cases handled by caseworkers. Further, it is possible to meet the percentage-compliant mandate for 90% of the caseworkers by overloading the 10% of workers who can be out of compliance. A percentage-compliant mandate encourages inefficient and unequal distribution of labor.

Progress toward achieving reasonable workloads for all MDCPS caseworker staff and supervisors would be better measured by tracking average workloads and deviations from the average, instead of using a percentage-compliant mandate. MDCPS could achieve a more balanced workload among its caseworkers and supervisors by redistributing positions.

Recommendations:

- MDCPS should conduct a new workload study.
- MDCPS should confer with the Court Monitor and attorneys representing the plaintiffs in the Olivia Y. lawsuit to discuss replacing the percentage-compliant mandate.

MDCPS's annual turnover rate for caseworkers declined from 29% in FY 2017 to 21% in FY 2018. While the reported national average annual turnover rate for child welfare workers is 30%, the Annie E. Casey Foundation suggests that an optimal turnover rate is 12% or less. Using the Foundation's methodology, PEER estimated that MDCPS caseworker turnover costs could range from \$1.7 million (30% of exiting employee's annual salary) to \$11.9 million (200% of exiting employee's annual salary).

Due to a self-reported revenue shortfall, MDCPS eliminated their tuition reimbursement and Master's in Social Work (MSW) programs, as well as offering educational benchmarks and awarding increases in the career ladder for caseworkers. Additionally, MDCPS has limited hiring to essential personnel and the filling of critical positions as they become vacant.

Recommendations:

- MDCPS should maintain a current list of all licensed social workers in the agency.
- MDCPS should consult with the State Personnel Board to determine the minimum qualifications for caseworker supervisor positions, and then recommend to the Legislature the amendment of statute to reflect the new qualifications.
- MDCPS should calculate turnover by county and/or region.

Due to data quality issues and no outcome measures for MDCPS in the appropriation bills in FY 2017 and FY 2018, PEER focused on five benchmarks contained in *Building a Better Mississippi: The Statewide Strategic Plan for Performance and Budgetary Success* and three other outcome measures relevant to child protection services for which data were available.

Recommendation:

- MDCPS should develop and implement written procedures for code documentation, file retention, and data entry processes to improve the quality of its data.

Implementation Actions

As a result of PEER's 2018 review, MDCPS created a separate business area in the state's accounting system to better account for the its revenues and expenditures, which were previously comingled with the Mississippi Department of Human Services. In addition, MDCPS is in the process of creating twelve additional budget programs to better account for their use of resources.

Impact: Education Scholarship Accounts

A Statutory Review of Mississippi's Education Scholarship Account Program (Report #628)

In 2015, the Legislature passed “The Equal Opportunity for Students with Special Needs Act,” which directs the Mississippi Department of Education to implement an Education Scholarship Account (ESA) program to offer parents of special needs children financial assistance to place their children in a nonpublic school setting and receive other educational services. For FY 2016 through FY 2018, the budget for the ESA program was \$9 million. The Mississippi Department of Education disbursed \$4.8 million and expended \$309,939 for program administration. During FY 2018, 367 students participated in the ESA program and attended 96 nonpublic schools in Mississippi, Tennessee, and online.

As of June 2018, 197 students were on the education scholarship account waiting list. Because many of the ESA participants from the previous school year will continue to participate in the program, and the number of available education scholarships is limited, there are few available to new applicants. For the most recent lottery conducted in August 2018, the MDE reported having 47 education scholarships available to award.

The Legislature set an education scholarship account amount of \$6,500 in state law for school year 2015–2016 with adjustments based on the Mississippi Adequate Education Program (MAEP) base student cost. For the three other states administering ESA programs in FY 2018—Arizona, Florida, and Tennessee—the amount of the ESA is equal to or 90% of the per-pupil amount the school district or school would have received for the ESA student. In Arizona and Florida, the ESA amount includes additional funds to account for students' special needs. For FY 2018, the State of Mississippi, through the Mississippi Department of Education, disbursed approximately \$2 million to parents and educational service providers.

PEER recommended that:

- The Legislature should consider adjusting the ESA formula to align with MAEP, removing the lottery requirement and add further prioritization of those on the ESA waiting list, and consider allowing unused ESA funds to be reappropriated the following year.
- The Mississippi Department of Education should adopt comprehensive formal policies and procedures for the program to allow for more timely information regarding the status of ESAs.

The ESA program lacks the accountability structure needed to ensure that nonpublic schools enrolling ESA students meet statutory requirements and that students with disabilities are receiving the services they need. Also, MDE has not administered the ESA program as effectively as possible, has not prioritized students with active individualized education programs (IEPs) on its waiting list for an ESA, and PEER found two instances in which the MDE overpaid parents during a fiscal year.

PEER recommended that:

- The Legislature should consider directing the MDE to implement an accountability structure for the ESA program.
- The Legislature should consider establishing an appeals process for parents and educational service providers.
- The Legislature should consider imposing additional requirements for tutoring programs
- The Legislature should consider providing a means for offering more immediate access to ESA funds.
- The MDE should improve in several areas regarding its administration of the ESA program.

Implementation Actions

Several General Bills were introduced in the 2019 Regular Session that dealt with the Education Scholarship Account Program. These included H.B. 1072, H.B. 1113, S.B. 2675, and S.B. 2826. None were adopted by the Legislature.

Impact: Funding for Charter Schools

FY 2018 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board (Report #629)

The Mississippi Charter School Authorizer Board (MCSAB) is the sole authorizing body for charter schools in the state and is responsible for oversight of the schools' operations. The MCSAB has not released an annual report since December 2016 because it is revising how it evaluates charter school performance. The board does not intend to release its 2017 annual report until 2019.

The MCSAB contracts with the National Association of Charter School Authorizers (NACSA) to manage the application process and provide independent recommendations of approval or denial for each charter school application. The MCSAB received nine applications for charter schools in its 2018 application cycle. Of those nine applications, the MCSAB (with assistance from the NACSA) approved two applications (for three schools) and denied seven applications. Ambition Prep was approved to open a K–8th grade school for the 2019–2020 school year. RePublic Schools, Inc., which already operates three charter schools in Mississippi, was approved to open two additional schools: Revive Prep, a K–8th grade school, and RePublic High School, the state's first charter high school, both with plans to open in the 2021–2022 school year. Although NACSA recommended that the MCSAB deny RePublic Schools' application for Revive Prep and RePublic High School, the MCSAB approved the application.

During the 2017–2018 school year, three charter schools (Midtown Public, Reimagine Prep, and Smilow Prep), all located within the boundaries of JPS, served 885 students. As of September 1, 2018, no students were on waiting lists for these charter schools.

In September 2017, the U.S. Department of Education awarded a five-year, \$15 million grant to the MCSAB to help expand the state's charter school sector. The MCSAB did not expend any grant funds in FY 2018 but did approve two contracts to assist with various services and activities associated with the grant.

Charter school funding continues to be a subject of ongoing state court litigation. In 2018 a judge upheld the constitutionality of the state law that established charter schools. The case is currently on appeal in the Mississippi Supreme Court by the Southern Poverty Law Center. In FY 2018 the Mississippi Department of Education distributed MAEP funding to charter schools at an amount of \$4,038 per pupil (before add-on program costs), which was the same amount provided to Jackson Public Schools (JPS), in accordance with statute. In addition, all three schools received a per-pupil amount of \$2,782 in local ad valorem funding from JPS in FY 2018. Statute does not require that local ad valorem support to charter schools be reconciled annually, as it does for MAEP. Therefore, the per-pupil local ad valorem contributions paid to charter schools each year are not consistent with the actual number of students in attendance at the charter schools for that year.

- The Legislature should consider amending MISS. CODE ANN. Sections 37-28-55(2) and (3) to require that local ad valorem contributions to charter schools be reconciled each year as MAEP payments are.
- The Legislature should, in order to make the pro rata distribution of local ad valorem funds equitable between the school districts and the charter schools, consider amending MISS. CODE ANN. §§ 37-28-55(2) and (3) to include the charter schools' average daily membership for month one of the current year in the denominator of the calculation.
- The Legislature should consider amending § 37-28-11(1) to replace the 3% authorizer fee with funding from available funds.
- The Legislature should, in order to ensure funding and accountability of appropriations for MCSAB operations, consider the following options:
 1. enact a separate appropriations bill, with total funds appropriated and PINs allocated, or
 2. provide a specific line item in the IHL appropriation for total board support and authorized PINs.
- The MCSAB should formally require all charter schools to adopt MDE's accounting manual for public schools.

CY 2019 PEER Reports

- Report #630 *2018 Update on Financial Soundness of the Public Employees' Retirement System, January 7, 2019*
- Report #631 *Mississippi Department of Corrections' FY 2018 Cost Per Inmate Day, April 9, 2019*
- Report #632 *Alcoholic Beverage Control in Mississippi: Warehouse Operations and Policy Considerations for Regulation, October 1, 2019*
- Report #633 *A Limited Management and Financial Review of Tunica County, October 29, 2019*
- Report #634 *A Review of Mississippi's Criminal Justice Reform Efforts, October 29, 2019*
- Report #635 *A Review of the Wireless Communication Commission, October 29, 2019*
- Report #636 *A Review of the Mississippi Department of Child Protection Services for Fiscal Year 2019, November 19, 2019*

Reports to be Released by December 31, 2019

FY 2019 Annual Report: Analysis of Funding for Mississippi Charter Schools and the Charter School Authorizer Board

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See PEER website (peer.ms.gov) for full text of reports.

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CY 2019 PEER Report Impacts

Impact: Public Employees' Retirement System

2018 Update on Financial Soundness of the Public Employees' Retirement System (Report #630)

PERS is under the administration of the 10-member PERS Board of Trustees, which has a primary responsibility of ensuring adequate funding of the plans it administers. One means of accomplishing this task is by setting contribution rates for employers participating in the plans. For assistance in setting these rates, the PERS Board receives actuarial reports annually and works with independent actuarial advisers to develop comprehensive models that are used to project the financial position of the various plans. Underperformance in any one area can cause additional stress on other components of the plan and can lead to underperformance of the plan as a whole.

According to the PERS investment consultants, the plan's investment performance for FY 2018 was a return on investments of 9.48%, which is above the current actuarial model's target investment return of 7.75%. This return placed the plan above the median return for its peer group (plans having greater than \$10 billion in assets) of 8.89%. Additionally, the PERS investment performance has exceeded its peer group median for each of the past three-, five-, and 10-year periods (ranking in the top 14% for each period). Over the past 10 years, the PERS investment return on assets averaged 7.45%. Historically, the PERS investment returns have averaged 6.28% over the past 20 years, 7.84% over the past 25 years, and 8.55% over the past 30 years.

In June 2018, PERS reported a funding ratio of 61.8%; an increase from 61.1% at end of FY 2017. Primarily due to the future increase in the employer contribution rate (effective July 1, 2019), the plan has a projected future funding ratio of 95.8% by 2047, which compares favorably to the assessment metrics in the plan's new funding policy.

The ratio of active members to retired members in the PERS plan decreased approximately 36% over the past 10 years. The declining ratio is attributable to a decrease in the number of active members and an increase in the number of retired members. This decrease results in funding future pension obligations over the payroll of fewer active members. However, the PERS active member to retired member ratio of 1.46:1 at the end of FY 2017 was above the average ratio for other pension plans across the nation. In June 2018, the PERS Board adopted a new funding policy with the following objective: *The objective in requiring employer and member contributions to PERS is to accumulate sufficient assets during a member's employment to fully finance the benefits a member will receive in retirement.*

To accomplish this objective, the board outlined several goals in the funding policy:

- Preserve the defined benefits structure for providing lifetime benefits to the PERS membership;
- Pursue contribution rate stability;
- Maintain an increasing trend in the funded ratio over the projection period with a target of being 100% funded; and,
- Require clear reporting and risk analysis by the plan's actuary using a signal light approach.

Included in the new funding policy are three metrics to track the plan's progress in achieving the goals and objectives outlined by the PERS Board (funding ratio, cash flow as percentage of assets, and actuarially determined contribution) and a course of action should any of the metrics fall below certain thresholds. The new metrics will be evaluated through a "signal light" approach (green indicating goals and objectives achieved, yellow warning that future negative actions may lead to a failure in goals and objectives, and red suggesting the PERS Board must consider changes to employer contribution rate).

In consideration of results from an annually calculated actuarial valuation under the new funding policy the PERS board raised the employer contribution rate percentage to 17.40% of annual compensation, an

increase of 1.65% (effective July 1, 2019). Under the prior measurement system, a rate increase would also have been needed.

Implementation Actions

Following the release of the report, the Public Employees' Retirement System of Mississippi stated that it will continue to monitor the overall soundness of all of the retirement plans and work diligently in the best interest of the system.

Impact: FY 2018 Cost Per Inmate Day

Mississippi Department of Corrections' FY 2018 Cost Per Inmate Day (Report #631)

During its 1994 special session, the Legislature passed Senate Bill 2005 (now codified as MISS. CODE ANN. Section 47-5-1201 et seq. [1972]) to address short- and long-term bed capacity within the state's correctional system. The bill created the State Prison Emergency Construction and Management Board to expedite the contracting and construction of proposed public and private prison facilities authorized by the bill.

MISS. CODE ANN. Section 47-5-1211 (3) (a) (1972) states:

No contract for private incarceration shall be entered into unless the cost of the private operation, including the state's cost for monitoring the private operation, offers a cost savings of at least ten percent (10%) to the Department of Corrections for at least the same level and quality of service offered by the Department of Corrections.

The law also required that the state cost per inmate day be certified annually by a certified public accountant and that the certified cost be used as the basis for verifying the 10% savings required for private contractor costs. Historically, the Mississippi Department of Corrections (MDOC) has taken the cost of operation of similar units and adjusted them to recognize economies of scale to arrive at a cost of operation of a 500- or 1,000-bed facility.

During its 2012 Regular Session, the Legislature passed H.B. 440 (amending MISS. CODE ANN. Section 47-5-1211 [1972]), which requires the cost per inmate day calculation to occur every two years instead of annually and to require the development of a current cost-based model for the calculation. This report serves as the model for the basis of the cost per inmate day calculation.

The cost-based model was applied utilizing average MDOC costs, security requirements, and medical needs of MDOC's inmate population housed in state-operated facilities. The cost-based model provides MDOC management with the ability to determine MDOC's costs for any current or proposed privately operated prison, which can be used in the negotiation of private prison rates and achieve at least the 10% savings required by statute.

For FY 2018, MDOC's cost per inmate day for a model facility totaled \$53.72 based on the average costs, security requirements, and medical needs of MDOC's inmate population housed in state-operated facilities.

PEER believes MDOC should negotiate private prison contracts to yield savings significantly greater than the 10% required by law.

PEER cautions the reader that, as required by law, the cost figures presented in this report are derived from the actual costs to MDOC. State law also requires that private prisons represent at least a 10% savings to MDOC's costs for the same level and quality of services. It should be noted that cost savings offered by private prisons may exceed the 10% threshold. Therefore, when negotiating private prison payments, items borne solely by the state should be eliminated and due consideration given to reducing other costs in which the state bears additional or different costs than the costs incurred by private prisons.

Impact: Alcoholic Beverage Control in Mississippi

Alcoholic Beverage Control in Mississippi: Warehouse Operations and Policy Considerations for Regulation (Report #632)

The Alcoholic Beverage Control Division (ABC) of the Mississippi Department of Revenue (DOR) regulates and wholesales alcoholic beverages throughout Mississippi to licensed ABC permittees. The ABC warehouse operates on a bailment system, which allows vendors of alcoholic beverages to store their products in the state's warehouse without the state having to purchase the product. The ABC warehouse processes orders through each permittee's Taxpayer Access Point (TAP) account. Once orders are placed and processed, the ABC warehouse utilizes two contracted shipping companies to transport product to permittees.

As of July 2019, the ABC warehouse employed 106 employees. The warehouse also held 427,709 cases of alcohol and can ship a maximum capacity of approximately 20,000 cases per day. In FY 2018, ABC warehouse expenditures totaled just over \$5 million. Regarding total revenues, approximately 55% comes from the state markup on the direct sales of alcoholic beverages, 40% comes from taxes, and 5% comes from permit and other fees. In FY 2018, ABC warehouse revenues totaled approximately \$114 million.

As the sole alcoholic beverage wholesaler, the ABC should focus on maximizing revenue while providing a high level of customer service. PEER identified several areas for improvement. The implementation of a preventative maintenance plan could increase overall productivity. Equipment failures can create delays in both order processing and shipping operations. The ABC warehouse lacks formal workplace safety policies. Workplace injuries in the warehouse create a direct cost to the state in Workers' Compensation claims. The ABC should maximize efficient use of its warehouse space. The ABC should also document customer service issues in order to identify weaknesses in overall operations. The ABC should conduct a formal study prior to implementing any changes to overall warehouse operations and logistics.

Warehouse Operations Recommendations:

- The ABC warehouse should create a preventative maintenance plan and track instances in which equipment becomes inoperable and repair parts must be procured.
- The ABC warehouse should create standard operating procedures with an emphasis on safety for warehouse employees.
- The ABC warehouse should determine an equitable storage level for all bailment products stored in the warehouse, and should consider setting a minimum stock level policy for bailment items.
- The ABC warehouse should develop a written facility usage and logistics plan prior to purchasing an additional warehouse facility.

The Mississippi Legislature provided the DOR with additional appropriation authority in Senate Bill 3024, 2019 Regular Session, to purchase additional warehouse space for warehousing needs. The DOR has not created a formal, logistical plan for the usage of the additional warehouse facility. While studies commissioned by the DOR showed that the current ABC warehouse was quickly approaching its maximum storage capacity, none of these studies analyzed how an additional warehouse facility could be incorporated into current ABC warehouse operations. The DOR should ensure that incorporating an additional facility to be used solely for bulk product storage is a viable method for increasing ABC efficiency.

PEER evaluated policy options for the future of regulating alcohol beverages in Mississippi. Included in these policy options were three methods of privatization. These privatization options were judged for feasibility against three criteria:

- Each option should give the state at least the same amount, or more, of revenue than it currently receives from the wholesaling of liquor and wine.
- Each option should not cause a significant increase in alcohol consumption in the state or rely on a significant increase in alcohol consumption to meet the first criteria of revenue generation.
- Each option should provide permittees and consumers at least the same level of service through wholesale sales and distribution.

Privatization Options:

- Fully divesting the wholesale of liquor and wine would remove the state from being the wholesaler of alcoholic beverages, making private wholesalers responsible for wholesaling alcoholic beverages throughout the state. Academic studies show that control states collect higher amounts of revenue from alcohol sales than license states. PEER determined that converting to a license state would likely reduce the overall revenue collected for the state from alcoholic beverage sales.
- Contracting out wholesale operations would allow a contracted warehouse operator to assume operations of the ABC warehouse including receiving product and shipping orders to ABC permittees. Private companies would be responsible for staffing the warehouse and the DOR would still have administrative oversight of the ABC warehouse operations. Any monies saved from removing state employees from working within the ABC warehouse would likely be used to pay the contract with the private company that would operate the warehouse. PEER determined that this option could likely be revenue neutral, but would likely not save the state a minimum of 10% compared to current operational costs.
- Partially divesting wholesale operations would allow private wholesalers to be responsible for wholesaling wine throughout the state. Partial divestment would allow the state to remain the wholesaler of liquor. PEER determined this option would likely reduce the amount of overall revenue collected, but could benefit warehouse operations.

Other Policy Options:

PEER reviewed direct-to-consumer wine shipment in Mississippi. Direct to Consumer wine sales are not specifically prohibited by Mississippi Law; however, current law does make the DOR the sole wholesaler of alcoholic beverages in the state. PEER also reviewed capping the overall number of retail package store permits. Studies show that capping permits could provide a more equitable package store outlet density. The DOR would need to further review these options to ensure their feasibility in the state. If they yield positive results, the DOR should recommend to the Legislature any CODE sections that would need amendment in order to implement either of these policy options.

Implementation Actions

Based on PEER's recommendations, The Department of Revenue is:

- developing a five-year equipment replacement timeline to be implemented as funds allow. The DOR has already developed a work-order system for maintenance personnel that will allow staff to track repairs and costs associated with each repair. The DOR is also developing a preventative maintenance schedule for warehouse equipment.
- improving safety conditions at the warehouse. The DOR is working to revamp its agency safety program to address policies and procedures regarding employee safety.
- evaluating its information technology (IT) needs and programming needs for the MARS system, equipment needs, and product logistics for the DOR potential additional warehouse space.
- working with the IT department and software vendor to determine if staff can produce a report from the department's existing system that will allow ABC managers to track the status or resolution of customer service calls. In the interim, DOR staff are tracking calls through an Excel spreadsheet.

Impact: Management and Financial Review of Tunica County

A Limited Management and Financial Review of Tunica County (Report #633)

The Tunica County Board of Supervisors should develop, implement, and adhere to policies and procedures necessary to ensure that the board does not engage in deficit spending; complies with state laws in the issuance of tax levies; enters all executive sessions in compliance with state laws; uses the county's general road funds exclusively for the construction, upkeep, and maintenance of the county's road and bridge system; ensures all county expenditures are supported by proper documentation and are properly recorded and classified in the county's recordkeeping system; and at all times ensures contracts for the county's housing rehabilitation program exist and are signed by the appropriate county officials and all parties responsible for the administration and operation of the program.

Conclusions:

- 1) From October 1, 2012, through August 31, 2019, the board expended approximately \$4.3 million more than the revenues that had been received by the county—i.e., the county engaged in deficit spending.
- 2) As of August 31, 2019, the county's general fund had a negative balance of approximately \$4.9 million, which means the county is relying primarily on the funds in the county's general road fund to provide the necessary cash to pay the county's expenses, a practice that is contrary to state law.
- 3) In April 2018, the board transferred \$5 million from the county's general road fund to the county's general fund, a practice which is also contrary to state law. In December 2018, the board received an Attorney General's opinion informing the board that such a transfer was not permissible. Despite being informed of this, the supervisors did not authorize repayment of the \$5 million to the general road fund until July 15, 2019, following PEER's commencement of fieldwork on this project.
- 4) In FY 2015, the board began assessing a county-wide nine-mill ad valorem tax for the county's general road fund. However, because the county was inaccurate with its projection of future expenditures for road maintenance and construction, the adopted millage rate overtaxed Tunica County residents by approximately \$5.5 million during fiscal years 2015 through 2017 when compared to average expenditures.
- 5) PEER identified deficiencies in the internal control policies and procedures of the board and the county's administration and financial recordkeeping.
- 6) Minutes of the Board of Supervisors meetings did not always state with sufficient specificity the reasons for the board's entering into executive sessions, as required by MISS. CODE ANN. Section 25-41-7 (1972).
- 7) The board did not comply with state law in the issuance of tax levies during FY 2014 and subsequently was required by court order to refund collected taxes of approximately \$190,000 to one taxpayer, with more potential refunds in the future.
- 8) The Tunica County Tax Collector's Office failed to comply with state law by not including the amounts of special assessments due for two of the county's utility districts on the individual tax bills for each affected parcel for the years of 2010 through 2015.
- 9) Since the beginning of the board's current arrangement with North Delta Regional Housing Authority and, by extension, Tunica County Housing, Inc., the board has failed to ensure either that a contract exists or that a signed contract is in force and effect at all times between the county and the housing authority and between the housing authority and Tunica County Housing, Inc.

- 10) Since February 2015, the board has approved expenditures of \$1.6 million for the county's housing program without supporting documentation showing that the funds were expended as indicated or whether the work was completed at all.
- 11) Since October 1, 2014, approximately 41% of total housing program expenditures have been for administrative expenses. This level of administrative expenses is considered to be above average by charity watchdog groups.

Recommendations:

- 1) The Tunica County Board of Supervisors should:
 - Annually adopt and abide by a budget in which anticipated revenues exceed budgeted expenditures.
 - Develop and implement a plan to address the current negative balance of the county's general fund and return it to a positive balance.
 - Reconsider the current practice of supporting county-owned facilities.
 - Use the funds of the general road fund exclusively for the construction, upkeep, and maintenance of the county's roads and bridges.
 - Adopt and enforce policies and procedures that strengthen the county's internal controls.
 - Adopt a resolution memorializing the Legislature to amend Chapter 920, Local and Private Laws of 2004, to provide that the county's share of gaming funds be deposited to the county's general fund subject to a 3 year repealer.
 - Take steps to ensure compliance with all open meeting laws.
 - Take steps to ensure compliance with all laws and regulations for the approval of the county's budget and assessment of property taxes.
- 2) The Tax Collector's office should take steps to ensure that all property assessments and collections for property taxes are conducted in accordance with applicable state laws.
- 3) Concerning the county's housing program, the Tunica County Board of Supervisors should ensure:
 - Appropriate supporting documentation is received and placed in the county's accounting records for all expenditures of the housing program.
 - A properly executed contract, signed by all involved parties, is in effect at all times for the county's housing program.
 - Expenditures are used only for the purposes of administering or operating the program or paying housing grants awarded through the program.

Implementation Actions

Tunica County officials agreed to obtain signatures on all contracts between the county and other entities involved in the administration and operation of the county's Housing Rehabilitation Program.

Impact: Criminal Justice Reform Efforts

A Review of Mississippi's Criminal Justice Reform Efforts (Report #634)

Reports and data from MDOC show that in the first year since H.B. 585 was enacted in 2014, the state's prison population was reduced by 11%. This resulted in cost savings to the MDOC. However, in the second-year post enactment, the prison population began to rise again. The H.B. 585 Task Force identified two primary reasons for this rise: 1. the significant increases in supervision/technical revocations resulting in offenders on parole and 2. people on probation being sent back to prison and an increase in the number of offenders sentenced for drug possession.

As a result of the Task Force's findings, H.B. 387 and H.B. 1352 were passed. H.B. 387 brought clarity as to how and when to use TVCs. Data has shown that the use of Technical Violation Centers (TVCs) has risen over the past year, and H.B. 1352 expanded the use of reinvestment programs by facilitating the use of not only drug courts, but also other types of problem-solving courts. There has been no measurable effect to date regarding the effects of H.B. 1352 as it was just recently passed.

Recommendations:

1. To ensure effective operations of the new intervention courts, the Legislature should consider taking the following actions:

a. Amend MISS. CODE ANN. Section 9-23-9 to enhance provisions of intervention court certification by:

- setting a deadline for the establishment of best practices for all intervention courts;
- resetting a deadline for all intervention courts to become certified; and
- barring any non-certified intervention court from expending any public funds for any programs or services.

b. Amend MISS. CODE ANN. Section 9-23-11 to require:

- reporting to the Administrative Office of Courts on program participants who have been incarcerated for any reason;
- requiring AOC to conduct best practices audits of all intervention courts; and
- requiring third-party providers to agree contractually to provide services that comport with evidence- or research-based programs as defined in MISS. CODE ANN. Section 27-103-159.

c. Amend MISS. CODE ANN. Section 9-23-1 et seq., Section 9-25-1 et seq., and Section 9-27-1 et seq. to define intervention courts uniformly throughout each section.

2. The Administrative Office of Courts should provide the Legislature with a detailed estimate of funds needed to implement the new intervention courts, which includes staffing requirements and programmatic resources. Specifically, AOC should prepare a document setting out the Circuit Court Districts where each problem-solving court is to be established and the suggested staffing and job occupational codes for each position to be established. Further, the AOC should estimate the costs of delivering services to the target clientele, the estimated number of clients it will be serving, and the method of service delivery, e.g., Community Mental Health Centers, private counsellors, or some other source of expertise.

The Legislature should consider the implementation of all remaining recommendations from the *Final Report December 2013 of the Mississippi Corrections and Criminal Justice Task Force*, which were not addressed by H.B. 585 (2014 Regular Session).

Implementation Actions

Chief Justice Mike Randolph and the Administrative Office of Courts urged the Legislature to consider the report's recommendations and to utilize best practices for the operation of intervention courts.

Impact: Wireless Communication Commission Review

A Review of the Wireless Communication Commission (Report #635)

The Mississippi Wireless Information Network (MSWIN) is a land mobile radio trunked public safety communications network with 97% statewide mobile radio outdoor coverage and indoor coverage in critical buildings, such as courthouses. Due to its high cost and technical issues, the network does not provide statewide in-building coverage, which can pose a problem for emergency responders who typically work indoors, e.g., firefighters.

As of July 1, 2019, there were 145 MSWIN towers located throughout the state, including 84 state-owned towers and 61 towers leased from private and governmental owners. As of July 1, 2019, there were 574 state, local, federal, and private entities participating in MSWIN using approximately 41,357 emergency communication devices, and making an average of over 7.6 million push-to-talk calls per month. Because MSWIN user membership is voluntary, over 100 local government entities do not use MSWIN as their primary means of emergency communications, which negatively impacts the network's statewide interoperability. In addition, the network's interoperability is impacted by WCC's deficiency in training users in the effective use of the network.

Recommendations to Improve WCC's Effectiveness in Operating MSWIN:

- In conjunction with its MSWIN users, WCC should continue to expand the coverage of the network as needed and justified in relation to its cost and the number of users who would be served.
- WCC should monitor the percentage of users by individual tower.
- WCC staff should continue to expand and develop training, maintain an accurate list of and contact information for all MSWIN users, and conduct an annual user survey.
- WCC staff should develop a formal strategy to explain the benefits of user membership to entities not currently members of MSWIN so that the network would become their primary method for emergency communications. Through additional funding sources or vendor assistance, WCC staff should continue to explore options to make P25-compliant push-to-talk radios more affordable to entities with limited financial resources that have prevented them from joining the network.

While WCC has implemented policies and procedures requiring all state agencies and local government entities to obtain approval from WCC's Procurement Review Committee for all wireless communications purchases greater than \$100,000, Jackson County recently entered into a \$5.8 million contract to build its own emergency communications system without first seeking approval from WCC.

In 2005, the Legislature authorized Commission members to provide all of WCC's staff support in order to maximize funds available for MSWIN buildout. ITS was directed to administer WCC's operating fund as well as collaborate and consult with the Commission in carrying out its responsibilities. This statutory collaborative role between ITS and WCC became problematic when WCC began hiring its own staff in 2008. Now, there is confusion over authority and responsibility as well as duplication of effort.

Recommendations to improve WCC's Efficiency in its Expenditure of Public Resources:

- The Legislature should consider the options identified by PEER for organizational placement of WCC (i.e., stand-alone agency with current responsibilities; stand-alone agency with responsibility for all emergency communications in the state; stand-alone agency with physical co-location at MEMA; or assign a different state agency such as MEMA or MDOT to provide administrative support and office space to WCC). The Legislature should then amend the law to reflect the selected option. However, if the law is not changed regarding organizational placement of WCC, then WCC and ITS should jointly request an Attorney General's opinion to opine on the responsibilities of each entity.
- In order to clarify WCC's authority over procurement, the Legislature should amend MISS. CODE ANN. Section 25-53-171 (4)(i) (1972) to replace "sign-off approval" with "prior-authorization."
- WCC should refer Jackson County's procurement of its own emergency communications system to the Mississippi Office of the State Auditor for possible investigation and action.

Impact: Child Protection Services

A Review of the Mississippi Department of Child Protection Services for Fiscal Year 2019 (Report #636)

In FY 2019, MDCPS received \$195.9 million in total revenues. 50% of its total revenues were state general funds and 40% were federal funds. During FY 2019, MDCPS expenditures for salaries, wages, and fringe benefits totaled approximately \$80 million (41% of its total expenditures), including \$53 million for its caseworkers and caseworker supervisors. MDCPS expended \$55 million (28% of its total expenditures) on foster care maintenance payments and provided \$35 million (18% of its total expenditures) to child welfare agencies delivering services and programs to Mississippi children and their families.

Recommendations for Sources and Uses of Funding:

- MDCPS should estimate and identify expenditures and full-time equivalents by accountability program.
- MDCPS should identify child and family well-being intervention programs to serve Mississippi children and families and ensure that such programs are supported by high-quality research.

Caseload Analysis

During FY 2019, MDCPS never met the court-ordered percentage-compliant mandate for its frontline, adoption, and licensure caseworker caseloads, and only complied with the caseworker supervisor workload mandate for a few days during the fiscal year. However, despite low compliance with the percentage-compliant mandates for caseworkers, analysis indicated that the mean daily caseload for caseworkers and workload for caseworker supervisors was not far from the 1.0 weighted caseload standard for caseworkers and the standard number of caseworkers supervised (no more than 5) for caseworker supervisors. Inequality in the distribution of caseworker caseloads and caseworker supervisor workloads is the main reason for the Department's low performance on percentage-compliant mandates.

Recommendations for Caseload Analysis:

- MDCPS should implement its written procedures for code documentation, file retention, and data entry processes.
- MDCPS should conduct a new caseload study based on current caseworkers' time and responsibilities to determine the range of time necessary for a caseworker to perform a task in accordance with best practices. MDCPS should establish new standards based on the results of this study.
- Once a new caseload study is established, MDCPS should redistribute caseworker positions so that they more closely match expected caseloads. In addition, MDCPS should consider assigning more cases to caseworkers in bordering counties to better distribute caseloads.
- MDCPS staff should confer with the court monitor and attorneys representing the Plaintiffs in the Olivia Y. lawsuit to discuss replacing the percentage-compliant mandates.

Analysis of Annual MDCPS Turnover Rates

In FY 2019 the annual turnover rate for caseworkers was 30%, a 9% increase over the previous year, while the annual turnover rate for all other staff was 15%, a 2% increase. In addition, 12 of MDCPS's 14 regions and 43 counties had an increase in caseworker turnover from FY 2018 to FY 2019.

Recommendation for the Analysis of Annual MDCPS Turnover Rates:

- MDCPS should maintain a current list of all licensed social workers in the Department.

Analysis of Selected MDCPS Outcome Measures

PEER was unable to assess MDCPS's performance measures for FY 2019 because the data were not yet available at the time of this review. PEER plans to include this analysis in its FY 2020 annual review of the Department.

Development of MDCPS's New Case Management System

MDCPS expended at least \$3.2 million on staff and technical consultants between 2017 and August 2019 to begin the process of developing a new custom-built case management system (CCWIS) to replace its current outdated system (MACWIS). However, MDCPS has now decided to procure an off-the-shelf system in order to meet its impending court-imposed deadline. MDCPS is on the verge of issuing an RFP to expend up to \$28.7 million to develop and deploy this system with limited documentation supporting needed system design features and associated costs.

Recommendations for the Development of MDCPS's New Case Management System:

- The State Auditor should conduct an audit of MDCPS's expenditure of \$3.2 million on contracts for the development of a custom-built case management system to ensure that all deliverables were produced according to the terms of the contracts.
- The MDCPS Commissioner should direct the Department's staff to develop a detailed business case for the CCWIS project prior to issuing a request for proposal (RFP) to procure the system, and should also direct Department staff to maintain complete and accurate documentation of the procurement process.

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