Mr. Jamie M. Miller  
Executive Director  
Mississippi Department of Marine Resources  
Biloxi, Mississippi

As part of our audit of the financial statements of the treasury governmental fund and the schedule of analysis of changes in accrued compensated absences (collectively referred to as the financial statements) of the Mississippi Department of Marine Resources (MDMR) as of and for the year ended June 30, 2017, we wish to communicate the following to you.

Audit Scope and Results

Auditor’s Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in Government Auditing Standards, Issued by the Comptroller General of the United States

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

MDMR’s significant accounting policies are described in Note 1 of the audited financial statements.
Alternative Accounting Treatments
No matters are reportable.

Management Judgments and Accounting Estimates
No matters are reportable.

Audit Adjustments
During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded
- Various reclassifications for financial statement presentation purposes
- Accounts payable and receivable cutoff and the correction of accruals automatically posted by the State of Mississippi’s accounting system
- Cost allocation transfers and indirect costs

Proposed Audit Adjustments Not Recorded
- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Auditor’s Judgments About the Quality of the Entity’s Accounting Principles
No matters are reportable.

Disagreements with Management
No matters are reportable.

Consultation with Other Accountants
No matters are reportable.
Significant Issues Discussed with Management

No matters are reportable.

Difficulties Encountered in Performing the Audit

No matters are reportable.

Other Material Communication

Listed below is another material communication between management and us related to the audit:

- Management representation letter (attached)

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the treasury governmental fund of MDMR as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered MDMR’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDMR’s internal control. Accordingly, we do not express an opinion on the effectiveness of MDMR’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of MDMR’s financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MDMR’s financial statements will not be prevented or detected and corrected on a timely basis.
A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matter that we consider to be a deficiency.

**Deficiency**

**MDMR Oversight of Transactions Posted to MAGIC by Department of Finance and Administration (DFA) and MDMR Stand-alone Financial Statements**

On July 1, 2014, the State of Mississippi went live with MAGIC – Mississippi’s Accountability System for Government Information and Collaboration. Under this new enterprise resource planning (ERP) system, certain accounting responsibilities shifted from the individual state agencies to DFA. DFA has the ability to post journal entries and other transactions directly to the financial records of MDMR, including both year-end, closeout entries and entries during the year. MDMR currently has no oversight over these DFA entries. In addition, various accounting policies implemented by DFA facilitate reporting at the statewide level but impair reporting at the individual agency level. We recommend MDMR continue to evaluate ways to expand its oversight over these DFA entries.

We observed matters that we consider to be deficiencies that we communicated orally.

This communication is intended solely for the information and use of management and others within MDMR, and is not intended to be and should not be used by anyone other than these specified parties.

**BKD, LLP**

December 7, 2017
December 7, 2017

BKD, LLP
Certified Public Accountants
190 East Capitol Street, Suite 500
Jackson, MS 39201-2190

We are providing this letter in connection with your audits of the treasury governmental fund type financial statements, including the General Fund [2245000000], the Seafood Fund [3345000000], the DMR Equipment and Facilities (06D) Fund [6344900000], the Mississippi Department of Marine Resources Federal Clearing Fund [5345000000], the Tidelands Trust Fund [3345200000], the Bond Equipment Fund [6349A00000], the BP Oil Spill 2010 Fund [5349B00000], the DMR Equipment and Facilities (11A) Fund [6349C00000], the DMR Bond Proceeds Fund 2012H [6349H00000], the DMR Bond Proceeds 2015F Fund [6349000100], the NFWF Federal Grants Fund [5345100000, previously 349G], and the Budget Contingency Fund [6134500000], of the Mississippi Department of Marine Resources and the schedule of compensated absences as of and for the year ended June 30, 2017. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated August 16, 2017, for the preparation and fair presentation of the
financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

5. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

   (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   (d) All minutes of meetings of the governing body held through the date of this letter.

   (e) All significant contracts and grants.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:

   (a) Misappropriation of assets.

   (b) Misrepresented or misstated assets, liabilities or net position.

8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
9. We have no knowledge of any known or suspected:
   
   (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
   
   (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency received in communications from employees, customers, regulators, suppliers or others.

11. We have disclosed to you the identity of the entity’s related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.

12. Except as reflected in the financial statements, there are no:
   
   (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
   
   (b) Material transactions omitted or improperly recorded in the financial statements.
   
   (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
   
   (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
   
   (e) Agreements to purchase assets previously sold.
   
   (f) Restrictions on cash balances or compensating balance agreements.
   
   (g) Guarantees, whether written or oral, under which the Agency is contingently liable.

13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have no reason to believe the Company owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

15. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

16. Adequate provisions and allowances have been accrued for any material losses from:

(a) Uncollectible receivables,

(b) Sales commitments, including those unable to be fulfilled.

(c) Purchase commitments in excess of normal requirements or above prevailing market prices.

17. Except as disclosed in the financial statements, we have:

(a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

(b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

18. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

19. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

20. With regard to deposit and investment activities:

(a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.

(b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
(c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

21. With respect to any nonattest services you have provided us during the year, including proposing adjusting or correcting journal entries and drafts of the financial statements and related notes to be reviewed and approved by management:

(a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

(b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

(c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

(d) We have evaluated the adequacy of the services performed and any findings that resulted.

22. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

23. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.

24. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

25. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.

26. We have a process to track the status of audit findings and recommendations.

27. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.

28. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control.
over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with Government Auditing Standards.

29. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

30. With regard to supplementary information:

(a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

(b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

(c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.

(d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

(e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor’s report are issued.

31. Management has elected to omit management’s discussion and analysis, which is supplementary information required by the Governmental Accounting Standards Board. We understand you will include an emphasis of matter paragraph in your opinion related to this discussion.

Jamie Miller
Executive Director

Kacey Williams
Chief Financial Officer

Shavay Gaines
Finance and Accounting Director
This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

### MDMR QUANTITATIVE ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th>Before Misstatements</th>
<th>Misstatements</th>
<th>Subsequent to Misstatements</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets &amp; Deferred Outflows</td>
<td>37,115,608</td>
<td>(40,408)</td>
<td>37,075,200</td>
<td>-0.11%</td>
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<tr>
<td>Total Liabilities &amp; Deferred Inflows</td>
<td>(7,319,905)</td>
<td>(7,319,905)</td>
<td></td>
<td></td>
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<tr>
<td>Total Fund Balance</td>
<td>(29,795,703)</td>
<td>40,408</td>
<td>(29,755,295)</td>
<td>-0.14%</td>
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<tr>
<td>Revenues</td>
<td>(32,808,271)</td>
<td>40,408</td>
<td>(32,767,863)</td>
<td>-0.12%</td>
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<tr>
<td>Expenditures</td>
<td>40,099,167</td>
<td>40,099,167</td>
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<td></td>
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<tr>
<td>Change in Fund Balance</td>
<td>7,290,896</td>
<td>40,408</td>
<td>7,331,304</td>
<td>0.55%</td>
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### MDMR
#### Period Ending: June 30, 2017

**MDMR**

**SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Financial Statement Line Item</th>
<th>Factual (F), Judgmental (J), Projected (P)</th>
<th>Assets &amp; Deferred Outflows</th>
<th>Liabilities &amp; Deferred Inflows</th>
<th>Revenues</th>
<th>Expenditures</th>
<th>Fund Balance</th>
<th>Change in Fund Balance</th>
<th>Fund Balance</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>F</td>
<td>(4,040)</td>
<td>0</td>
<td>4,040</td>
<td>0</td>
<td>0</td>
<td>(4,040)</td>
<td>4,040</td>
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<tr>
<td></td>
<td></td>
<td>Revenue (Fund 33450)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(4,040)</td>
<td>4,040</td>
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<tr>
<td></td>
<td></td>
<td>Due From Other Gov. Adj. (Fund 33450)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(4,040)</td>
<td>4,040</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total passed adjustments</td>
<td>(4,040)</td>
<td>0</td>
<td>4,040</td>
<td>0</td>
<td>0</td>
<td>(4,040)</td>
<td>4,040</td>
</tr>
</tbody>
</table>

*Impact on Change in Fund Balance: 40,408*

*Impact on Fund Balance: 40,408*