



West Jasper School District

COMPLIANCE REPORT

Limited Internal Control and Compliance Review Management Report

For the year ended *June 30, 2019*

SHAD WHITE

State Auditor

Stephanie C. Palmertree, CPA, CGMA

Director, *Financial and Compliance Audit Division*

Derrick Garner, CPA, CFE

Director, *Compliance Audit Division*





**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR**

June 4, 2019

Limited Internal Control and Compliance Review Management Report

**West Jasper's School Board
510 Hwy 18
Bay Springs, MS 39422**

Dear Members of the West Jasper's School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the West Jasper School District for the Fiscal Year 2019. In these findings, the Auditor's Office recommends the West Jasper School District:

1. Strengthen Controls to Ensure Compliance with State Laws Over Reemployment of Retired Public Employees;
2. Strengthen Controls to Ensure Compliance with State Laws Over Sixteenth Section Taxes; and,
3. Strengthen Controls to Ensure Compliance with State Laws over Statement of Economic Interest.

Please review the recommendations and submit a plan to implement them by June 14, 2019. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the West Jasper School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "Stephanie C. Palmertree", is positioned below the "Sincerely," text.

STEPHANIE C. PALMERTREE, CPA, CGMA
Director, Financial and Compliance Audit
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the West Jasper School District for the year ended June 30, 2019. The Office of the State Auditor's staff members participating in this engagement included Derrick Gardner CPA, Charlotte L. Duckworth, Brooke Seals, and Kendall Cavett.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with *Section 7-7-211, Mississippi Code Annotated (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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 on a timely basis. A *significant deficiency* is a deficiency, or a 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. 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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

While performing our review we identified certain instances of noncompliance with State laws and control deficiencies that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW AND CONTROL DEFICIENCIES.**

INSTANCES OF NONCOMPLIANCE WITH STATE LAW AND CONTROL DEFICIENCIES

Finding 1: School District Should Strengthen Controls to Ensure Compliance with State Laws Over Reemployment of Retired Public Employees. Forms for employing retired service employees should be properly completed and filed within five days of rehire.

Executive Summary: During the review of re-hire of retired employees, it was noted that the school district did not properly complete the required Form 4B "Certification/Acknowledgement of Reemployment of Retiree" with Mississippi Public Retirement System.

Detailed Analysis: During the review of the Form 4Bs at West Jasper School District, the auditor noted the following issues:

- Three instances where the district did not file the forms within five days of rehire date with Mississippi Public Retirement as required by *MS Code Section 25-11-127(4)(b)*.

Section 25-11-127(4)(b), Miss. Code Ann.(1972), requires school district hiring service retirees to notify PPERS in writing by completing Form 4B "Certification/Acknowledgement of Reemployment of Retiree" with PERS office within five days of employment and the date of termination of the employment. Failure to file the 4Bs as required by PERS could result in the overpayment of a retiree and the District being assessed penalties by PERS.

Recommendation: We recommend West Jasper School ensure compliance with state laws by properly completing the required Form 4B and submitting the form within five to PERS.

Finding 2: The School District Should Strengthen Controls to Ensure Compliance with State Laws Over Sixteenth Section Annual Taxes on Sixteenth Section Leases.

Executive Summary: During the review of sixteenth section land for West Jasper School District, it was noted that the district was not canceling lease agreements for unpaid annual property taxes. Because the lessees have not paid the annual property taxes and the District has not terminated those lease agreements, the District is not in compliance with Miss. Code Section 27-3-71 and the lease agreement.

Detailed Analysis: During our review of twenty (20) sixteenth section leases for West Jasper School District, we noted the following five instances where the annual property taxes had not been paid. In addition the lease agreements had not been terminated by the School Board.

Section 27-3-71, Mississippi Code Annotated (1972), states, "Sixteenth section lands reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be liable, after the same shall have been leased, to be taxes as other lands are taxed during the continuance of the lease, but in case of sale thereof for taxes, only the title of the lessee or his heirs or assigns shall pass by the sale." In addition, the standard lease agreement used by the District between the lessee and lessor, "Lessee shall pay all taxes levied, if any, on said property time to prevent default." Failure to terminate the lease agreement due to the non-payment of property taxes causes noncompliance with state law.

Recommendation: We recommend the School Board, Superintendent, and Management comply with *Mississippi Code Section 29-3-71* and sixteenth section lease agreement. The School Board should terminate sixteenth section leases when lessee does not pay annual property taxes as required.

Finding 3: The School District Should Strengthen Controls to Ensure Compliance with State Laws over Statement of Economic Interest.

Executive Summary: During the review of West Jasper School District, it was noted that the Board member(s) did not submit their Statement of Economic Interest with the Mississippi Secretary of State.

Detailed Analysis: During our review of the Statement of Economic Interest, we noted one Board Member did not file the form by May 1st, as required by State law, and this statement remained unfiled as of February 28, 2019.

Section 25-4-25, Mississippi Code Annotated (1972), provides that "Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a) Persons elected by popular vote..." *Section 25-4-29, Mississippi Code Annotated (1972)*, provides that "1.) Required statements hereunder shall be filed as follows: a.) Every incumbent public official required ...to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official hold office, regardless of duration ... 2.) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission ... a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000) shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgement with the circuit clerk in the delinquent filer's County of residence..." Failure to file the statement of Economic Interest, as required by state law, results in non-compliance with *Section 25-4-25* and could result in fines being assessed and a civil judgement being enrolled against the delinquent filer, as allowed by *Section 25-4-29(2)*.

West Jasper School District

June 30, 2019

Page 4 of 4

Recommendation: The Board Member should file the Statement of Economic Interest annually, no later than May 1st of each year that such official holds office, regardless of the duration.

End of Report

Warren E. Woodrow
Superintendent

Phone: 601-425-8500
Fax: 601-425-8501



Bay Springs Elementary
Bay Springs Middle
Bay Springs High School
Stringer Attendance Center

West Jasper School District

Office of the Superintendent
Post Office Box 610
Bay Springs, Mississippi 39422

COMPLIANCE REVIEW FINDINGS

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

June 12, 2019

Dear Mr. White:

West Jasper School District appreciates the professionalism and assistance of the Mississippi State Auditor's Office during the fiscal year 2018-2019 state compliance audit conducted recently. Our district's goal is to best serve the students of our county, while operating with the highest ethical and legal standards. In order to ensure these goals are met, our district must be fiscally responsible with taxpayers' dollars and emphasize the importance of internal controls. We appreciate the Mississippi State Auditor's Office for identifying weaknesses, even if minor in nature, so our district can continue to improve and strengthen controls.

Finding 1: School District should strengthen controls to ensure compliance with state laws over reemployment of retired public employees. Forms for employing retired service employees should be properly completed and filed within five days of rehire.

Response: The Business Manager and HR/Payroll Clerk of West Jasper School District were unaware of the time restrictions set forth in *Section 25-11-127(4)(b), Miss. Code Ann. (1972)* requiring Form 4B to be completed and submitted to PERS within five (5) days of employment. West Jasper School District concurs with the finding and the recommendation and will follow the guidelines effective immediately.

Corrective Action Plan:

- A. The Business Manager discussed the finding with auditors on-site to gain a full understanding of the issue.
- B. The Business Manager investigated the issue of non-compliance regarding the five (5) day filing requirement set forth in *Section 25-11-127(4)(b), Miss. Code Ann. (1972)* by questioning the HR/Payroll Clerk to determine how and/or why the district failed to meet the

requirement. It was determined this was simply an issue of the requirement never being communicated to the HR/Payroll Clerk during training of employment procedures.

- C. The Business Manager discussed the finding, as well as information obtained through questioning the HR/Payroll Clerk, with the Superintendent.
- D. After discussion, the Business Manager confirmed with the HR/Payroll Clerk that effective immediately, Form 4B was to be completed within the time frame set forth in *Section 25-11-127(4)(b), Miss. Code Ann. (1972)*.

Finding 2: The School District should strengthen controls to ensure compliance with state laws over sixteenth section annual taxes on sixteenth section leases.

Response: While West Jasper School District understands the Mississippi State Auditor's Office recommendation is based on *Section 27-3-71, Miss. Code Ann. (1972)*, the district does not concur with the suggested recommendation. The district will continue to cancel leases, with the exception of hunting leases, when a lessee has failed to pay annual property taxes as required. Hunting lessees are being taxed at a rate equal to or higher than fee simple landowners. At this point in time, the school district has hunting leases that are bringing in above average revenue, and the tax assessor is valuing the property based on the lease values the school district is obtaining. An unfair tax rate is being enforced simply because the school district is securing above average lease rates on hunting leases. When the lessee fails to pay property taxes, the school district is supposed to cancel a lease that is a steady source of revenue. A recommendation for change should come from the legislature, not the school district. If the school district were to follow the state auditor's recommendation, the school district would lose revenue from hunting leases. This would not solve the issue in any way. The county would still not have the revenue from the taxes, and the school district would not have the revenue from the lease.

Correction Action Plan:

- A. The Business Manager discussed the finding with the auditors on-site, the Superintendent, and the Sixteenth Section Director.
- B. The Superintendent, Sixteenth Section Director, and Business Manager agreed any reasonable solution to this issue would have to come from the legislature.
- C. West Jasper School District is going to seek advice from state officials, as well as possibly seek an opinion from the Attorney General.

Finding 3: The School District should strengthen controls to ensure compliance with state laws over Statement of Economic Interest.

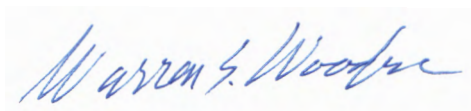
Response: West Jasper School District was unaware that one board member had not filed their Statement of Economic Interest. West Jasper School District concurs with the finding and recommendation and will strengthen internal controls to ensure compliance effective immediately.

Corrective Action Plan:

- A. The Business Manager discussed the finding with the Superintendent and his Administrative Assistant, who assists in board meetings and other board member-related issues.
- B. The board member who had not filed the Statement of Economic Interest was immediately notified to correct the issue.
- C. In the future, board members will be asked to provide proof the Statement of Economic Interest has been filed prior to the May 1st deadline.

West Jasper School District will continue to strive to be in compliance with state law. Once again, we appreciate the professionalism and assistance of the Mississippi State Auditor's Office. Please let us know if additional information is needed.

Respectfully,

A handwritten signature in blue ink, reading "Warren E. Woodrow". The signature is written in a cursive style with a large initial "W".

Warren E. Woodrow
Superintendent of Education
West Jasper School District