

FRANKLIN COUNTY SCHOOL DISTRICT

MISSISSIPPI

COMPLIANCE REPORT

Compliance Special Reports

For the year ended *June 30, 2020*

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
AUDITOR**

June 22, 2020

Limited Internal Control and Compliance Review Management Report

Franklin County School District
41 S 1st Street
Meadville, MS 39653

Dear Members of the Franklin County School Board:

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

1. Strengthen Internal Controls over Activity Fund Cash Receipts;
2. Ensure Compliance with State Laws over Approval of Depositories.
3. Ensure Compliance with State Laws over Teacher's Salaries;
4. Ensure Compliance with State Laws over Reemployment of Retired Public Employees;
5. Ensure Compliance with State Laws over Sixteenth Section Taxes;
6. Ensure Compliance with State Laws over Surety Bonds; and
7. Ensure Compliance with State Laws over Background Checks.

Please review the recommendations and submit a plan to implement them by June 22, 2020. 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.

Franklin County School District

June 22, 2020

Page 3 of 8

I hope you find our recommendations enable the Franklin County 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 that reads "Stephanie C. Palmertree". The signature is fluid and cursive, with the first name "Stephanie" being more prominent than the last name "Palmertree".

STEPHANIE 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 Franklin County School District for the year ended June 30, 2019. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA, Charlotte L. Duckworth, Kendall Cavett, and Morgan Daniels.

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.

We identified certain deficiencies in internal control over financial reporting that we consider to be a *significant deficiency* in internal control. These matters are noted under the heading **SIGNIFICANT DEFICIENCY**.

In addition, while performing our review, we noted certain instances of noncompliance with State laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

SIGNIFICANT DEFICIENCY

Finding 1: The School District Should Strengthen Internal Controls over Receipts and Deposits for Activity/Athletic Events.

Internal Control Deficiency: *Board Policy DK (Student Activities Fund Management)*, states "A person remitting activity funds to the principal for deposit will be given the original receipt, the second copy will be attached to the transmittal report to the central office, and the third copy will be kept in the book and on permanent file in the principal's office. All of these pre-numbered receipts must be accounted for... All funds collected within the school must be deposited daily..."

Management is responsible for ensuring that all revenue is correctly earned, recorded, and deposited timely in order to safeguard the assets of the school district. This deficiency occurred due to inadequate controls related to the collection and deposit of receipts.

Finding Detail: During our testing of twenty-two (22) activity/athletic fund revenue, we noted the following weaknesses in internal controls:

- Fourteen (14) instances in which deposits totaling **\$30,377.00** were made four (4) to twenty-three (23) days late.
- One (1) instance in which the Business Manager made a deposit from November 6, 2018 totaling **\$1,374.00** on August 26, 2019.

Inadequate controls related to activity/athletic fund revenue collection, proper receipting, and depositing could result in a loss of assets and improper revenue recognition.

Recommendation: The School District should strengthen internal controls and enforce policies and procedures to ensure receipts from all activity/athletic fund revenue collections are safeguarded, properly recognized, recorded, and deposited in a timely manner.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Ensure Compliance with State Laws over Approval of Depositories.

Applicable State Law: *Section 37-7-333, Mississippi Code Annotated (1972)*, states "... In the event a bank submits a bid or offer to a school district to act as a depository for the district and such bid or offer, if accepted, would result in a contract in which a member of the school board would have a direct or indirect interest, the school board should not open or consider any bids received. The superintendent of schools shall submit the matter to the State Treasurer, who shall have the authority to solicit bids, select a depository or depositories, make all decisions and take any action within the authority of the school board under this section relating to the selection of a depository or depositories."

Finding Detail: During the review of approved depositories and related party questionnaires, we noted one (1) Board Member has a direct interest in the approved depository, United Mississippi Bank. However, the School District did not submit the bid approval for its depositories to the State Treasurer's office. When a Board Member has direct interest in a depository, the School District must submit its bids for depository to the State Treasurer.

Failure to submit the bids of the District's depository resulted in the District's noncompliance with *Mississippi Code Section 37-7-333*.

Recommendation: The School Board, Superintendent, and Management should ensure compliance with *Section 37-3-333, Mississippi Code Annotated (1972)*, by submitting bids for its depository to the State Treasurer's office if Board members have a direct or indirect interest in the depository that submits a bid.

Repeat Finding: No.

Finding 3: The School District Should Ensure Compliance with State Laws over Certified Employee's Salaries.

Applicable State Law(s): *Section 37-3-33, Mississippi Code Annotated (1972) and Board Policy CGA, Administrative Personnel Compensation Guides and Contracts*, states that "In employing and contracting with appointed superintendents, principals, and certified employees, the school board shall in all cases determine whether the amount of salary to be paid such superintendent, principal, and certified employees is in compliance with the provisions of the adequate education program. No contract shall be entered into where the salary of a superintendent, principal or certificated employee is to be paid, in whole or in part, from adequate education program funds except were the requirements of said chapter as to the amount of such salary are fully met."

Finding Detail: During our review of twenty (20) certified employees, we noted the following instances of noncompliance with the salary scales of both Franklin County Board's Policy *CGA, (Administrative Personnel Compensation Guides and Contracts)* and *Mississippi Code Section 37-3-33*:

- One certified teacher was under paid **\$4,800.00** for the school year; and
- One certified teacher was over paid **\$480.00** for the school year.

Failure to ensure salaries were paid according to the appropriate salary scales resulted in the District both overpaying and underpaying of certified employees.

Recommendation: The School Board, Superintendent, and Management should ensure compliance with *Section 37-7-33, Mississippi Code Annotated (1972)* and Board Policy, by verifying all salaries are paid according to the appropriate salary scales.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Applicable State Laws: *Section 25-11-127(4), Mississippi Code Annotated (1972)*, states, “Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment.”

PERS Board Regulation 34, Section 105, states, “To lawfully employ a PERS service retiree under *Section 103*, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of a \$300 penalty per occurrence payable by the employer.”

Finding Detail: During the testing of retired and rehired employees, we noted the following noncompliance regarding the completion and filing of PERS Forms 4B:

- Two (2) of twenty-four (24) employees were overpaid totaling **\$859.37**;
- Four (4) of the forms did not indicate the date of retirement of employees;
- Six (6) of the 4B forms did not indicate evidence of the filing date to PERS; and
- One (1) of the 4B forms was not filed within five days of the rehire date.

Failure to file the 4Bs as required by PERS and comply with *25-11-127(4)* could result in overpayment of a retiree and the School District being assessed penalties by PERS.

Recommendation: Franklin County School District should strengthen controls to ensure compliance with state laws by properly completing the required Form 4Bs, properly paying PERS allowed salaries, and submitting the forms to PERS within five (5) days from the date of reemployment.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Laws over Sixteenth Section Annual Tax Payments and Appraisals.

Applicable State Law(s): *Section 29-3-71, 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 states, “Lessee shall pay all taxes levied, if any, on said property on time to prevent default.”

Finding Detail: During the review of nineteen (19) sixteenth section land leases, the following instances were noted:

- Four (4) lease agreement taxes were paid more than sixty (60) days after February 1st; however, the lease agreements were not terminated.
- Taxes for one (1) lease were sold to the state totaling **\$588.21** but the lease agreement was not terminated.

Failure to terminate lease agreements due to the non-payment of property taxes and appoint a component appraiser resulted in non-compliance with state laws and regulations.

Recommendation: The School Board, Superintendent, and Management should strengthen internal controls to ensure taxes are paid within sixty (60) days of February 1st, as required by laws and regulations.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Laws over Surety Bonds.

Applicable State Laws: *Section 25-1-15(2), Mississippi Code Annotated (1972)* states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.”

Section 37-6-15, Mississippi Code Annotated (1972) states, “Before entering upon the discharge of the duties of his office, each member of the school board shall give a surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety, to be payable conditioned and approved in the manner provided by law. The school board may execute a blanket bond for each school district official and employee (including school business managers and any other employee who receipts and/or disburses school district funds) in the penalty of Fifty Thousand Dollars (\$50,000), unless a different penalty is prescribed by statute, to be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund.”

Section 37-9-27, Mississippi Code Annotated (1972) states, “The superintendent of any school district, before entering upon the duties of his office, shall furnish a good and sufficient surety bond in the penal sum of One Hundred Dollars (\$100,000.00), with sufficient surety.”

Finding Detail: As a result of procedures performed, we noted the following exceptions with the District’s surety bonds:

- Two (2) of the Board Members’ bonds are continuation certificates;
- The Superintendent’s bond is a continuation certificate;
- One (1) Principal’s bond was not on file in the Chancery Clerk’s office; and
- One (1) Board Member’s bond was not on file in the Chancery Clerk’s office.

A “Continuations Certificates” is a document that extends the life of the original surety bond. A “Continuations Certificate” only covers the current bonding periods. Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds.

Recommendation: The Board should ensure that new bonds are secured every four (4) years concurrent with the normal election cycle of the Governor or with the normal elections cycle of the local government applicable to the employees as statutorily required. Additionally, the Board should ensure all bonds for all employees’ and officials’ bonds are filed with the Chancery Clerk’s office.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Laws Over Background Checks.

Applicable State Law: *Section 37-19-7, Mississippi Code Annotated (1972)* states current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board of Education or at such local school district prior to July 1, 2000. Ultimately, the criminal records information and registry must be kept on file for any and all new hires.

Finding Detail: During our testing of twenty (20) certified employees, we noted the District did not obtain background check to maintain on file for four (4) of its certified employees. Failure to obtain background checks for all new hires could result in a wrongful hire of an individual.

Recommendation: The Superintendent and management should obtain and maintain on file a current criminal background check for all new hires, as required by law.

Repeat Finding: No.

Additional Recommendations by the Office of the State Auditor

1. OSA recommends that School Board consider obtaining surety bonds for its Purchase Agent and Principals. As noted in during our test work, the Purchase Agent and two (2) Principal are covered under a “Continuation Certificate”. A “Continuation Certificate” is a document that extends the life of the original surety bond. A “Continuation Certificate” only covers the current bonding period rather than both the current and previous periods. Failure to have a bond in place for a specific term of employment could limit the amount available for recovery if a loss occurred over multiple terms.

End of Report

Franklin County School District
P.O. Box 605
Meadville, MS 39653

Chris Kent
Superintendent

(601) 384-2340
FAX (601) 384-2393

COMPLIANCE REVIEW FINDINGS

July 1, 2020

Shad White, State Auditor
Office of State Auditor
State of Mississippi
Post Office Box 956
Jackson, MS 39205-0956

Dear Mr. White:

The Franklin County School District would like to thank the Mississippi State Auditor's office for time and effort put forth to conduct our Compliance Audit. We appreciate your recommendations and the opportunity to respond to your Management Report. The following corrective actions will enable Franklin County School District to carry out our mission more efficiently, strengthen internal controls, and ensure compliance with state laws.

AUDIT FINDINGS:

Finding 1: The School District Should Strengthen Internal Controls over Receipts and Deposits for Activity/Athletic Events.

Response: The District concurs with the finding and accepts the recommendation of the State Auditor's office.

Corrective Action Plan:

- a. The District has strengthened internal controls by implementing procedures to ensure that deposits are made daily.
- b. Tremel B. Young, Business Manager, 601-384-2340
- c. Completion Date: September 19, 2019

Finding 2: The School District Should Ensure Compliance with State Laws over Approval of Depositories.

Response: The District concurs with the finding and accepts the recommendation of the State Auditor's office.

Corrective Action Plan:

- a. The District has strengthened internal controls by ensuring that directive from the State Treasurer's office on how to process depository bids are followed in the future.
- b. Tremel B. Young, Business Manager, 601-384-2340
- c. Completion Date: June 30, 2020

Finding 3: The School District Should Ensure Compliance with State Laws over Certified Employee's Salaries.

Response: The District concurs with the finding and accepts the recommendation of the State Auditor's office.

Corrective Action Plan:

- a. The District has strengthened internal controls by ensuring all employee contract amounts are verified by the payroll clerk and business manager.
- b. Tremel B. Young, Business Manager, 601-384-2340
- c. Completion Date: June 30, 2020

Finding 4: The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Response: The District concurs with the finding and accepts the recommendation of the State Auditor's office.

Corrective Action Plan:

- a. The District has strengthened internal controls by ensuring reemployed retirees are not paid more than amount certified on form 4B. The District will ensure form 4B is completed accurately and submitted to PERS in a timely manner.
- d. Tremel B. Young, Business Manager, 601-384-2340
- e. Completion Date: June 30, 2020

Finding 5: The School District Should Ensure Compliance with State Laws over Sixteenth Section Annual Tax Payments.

Response: The District concurs with the finding and accepts the recommendation of the State Auditor's office.

Corrective Action Plan:

- a. The District has strengthened internal controls by strengthening communication with the County Tax Assessor to ensure the District is notified when lease agreement taxes are not paid by February 1. The Superintendent will make recommendations to the School Board that benefits the students of Franklin County School District.
- b. Chris Kent, Superintendent of Education, 601-384-2340
- c. Completion Date: June 30, 2020

Finding 6: The School District Should Ensure Compliance with State Laws over Surety Bonds.

Response: The District concurs with the finding and accepts the recommendation of the State Auditor's office.

Corrective Action Plan:

- a. The District has strengthened internal controls by ensuring all original bonds are on file for employees required to have a bond and are filed in the Chancery Clerk's office.
- b. Tremel B. Young, Business Manager, 601-384-2340
- c. Completion Date: June 30, 2020

Finding 7: The School District Should Ensure Compliance with State Laws Over Background Checks.

Response: The District concurs with the finding and accepts the recommendation of the State Auditor's office.

Corrective Action Plan:

- a. The District has strengthened internal controls by ensuring background checks are completed on all new prospective hires. The background checks can be found in employee personnel folder.
- b. Tremel B. Young, Business Manager, 601-384-2340
- c. Completion Date: June 30, 2020

Again, thank you for conducting our Compliance Audit. The Franklin County School District will continue to make every effort possible to comply with state laws and to "Educate Today's Children for Tomorrow's World".

Sincerely,



Chris Kent
Superintendent of Education