

# Rankin County School District

# MISSISSIPPI

## COMPLIANCE REPORT

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Limited Internal Control and Compliance Review Management Report  
For the year ended *June 30, 2020*

**SHAD WHITE**  
State Auditor

**Stephanie C. Palmertree, CPA, CGMA**  
Director, *Financial and Compliance Audit Division*



*The Office of the State Auditor does not discriminate on the basis of  
race, religion, national origin, sex, age or disability.*



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

July 24, 2021

**Limited Internal Control and Compliance Review Management Report**

Superintendent and School Board  
Rankin County School District  
1220 Apple Park Place  
Brandon, MS 39042

Rankin County School District Superintendent and School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Rankin County School District for the fiscal year 2020. In these findings, the Auditor's Office recommends Rankin County School District:

1. Strengthen Internal Controls over Activity Fund Cash Receipts;
2. Strengthen Internal Controls and Ensure Compliance with State Laws over Sixteenth Section Lease Payments, Taxes, Appraisals, and Deposits;
3. Ensure Compliance with State Laws over Board Financial Reports;
4. Ensure Compliance with State Laws over Reemployment of Retired Public Employees; and
5. Ensure Compliance with State Laws over Surety Bonds.

Please review the recommendations and submit a plan to implement them by July 24, 2021. 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 Rankin 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".

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 Rankin County School District for the year ended June 30, 2020. The Office of the State Auditor's staff members participating in this engagement included Charlotte L. Duckworth, Brooke Seals, and Max Seage.

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, Miss. Code Ann. (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 noted instances of noncompliance with laws and regulations that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**. In addition, we noted a certain deficiency in internal control over financial reporting. This matter is noted under the heading **OTHER CONTROL DEFICIENCY**. The Auditor's Office has also made a recommendation for management's consideration that it is not in violation of state law.

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## **OTHER CONTROL DEFICIENCY**

**Finding 1:** The School District Should Strengthen Internal Controls over Activity Fund Cash Receipts.

**Internal Control Deficiency:** Management is responsible for ensuring that all revenue is properly earned, recorded, and deposited in order to safeguard the assets of the School District.

*School Board Policy Section D, Fiscal Management, 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..."

**Finding Detail:** During the testing of Rankin County School District's activity funds, we noted the following exceptions:

- Six (6) of twelve (12) deposits were less than the ticket sales, totaling **\$151**; and
- Three (3) of twelve (12) deposits were in excess of ticket sales, totaling **\$92**.

Inadequate internal controls related to activity fund revenue collection and receipting could result in a loss of assets and improper revenue recognition.

**Recommendation:** We recommend Management strengthen controls, and enforce policies and procedures to ensure receipts from all activity funds are safeguarded, properly recognized, and recorded.

**District's Response:** The District will continue to stress with principals, bookkeepers, and ticket takers the importance of reconciling tickets sold for Activity Funds.

**Repeat Finding:** No.

## OTHER CONTROLS DEFICIENCY AND NONCOMPLIANCE WITH STATE LAW

**Finding 2:** The School District Should Strengthen Internal Controls over Deposits and Ensure Compliance with State Laws over Sixteenth Section Lease Revenues and Tax Payments.

**Internal Control Deficiency:** *The Internal Control – Integrated Framework published by the committee of Sponsoring Organizations of the Tread-way Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

**Applicable Law:** *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 twenty (20) sixteenth section land leases, the following instances of noncompliance were noted:

- Three (3) instances in which lease payments were not deposited in a timely manner; and
- Four (4) leases where taxes were not current; however, the lease agreements were not terminated, totaling **\$3,692**.

Failure to terminate lease agreement due to the non-payments of property taxes resulted in noncompliance with state laws and regulations. Inadequate internal controls relating to receipting sixteenth section revenue could result in a loss of assets and improper revenue recognition.

**Recommendation:** We recommend the School District ensure taxes are current, as required by state laws and regulations. Additionally, we recommend all lease payments be deposited immediately.

**District’s Response:** We will strengthen controls around depositing of 16<sup>th</sup> Section payments. The District has contacted the Rankin County Tax Collector to ensure the District is notified when taxes are not paid on 16<sup>th</sup> Section Land by February 1<sup>st</sup>.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 3:** The School District Should Ensure Compliance with State Laws over Financial Reports.

**Applicable Law:** *Section 37-9-18, Mississippi Code Annotated (1972)*, requires all financial reports be submitted to the local school board. According to the board’s policy, financial reports that shall be submitted to the Board includes reconciled bank statements, statement of revenues and expenditures, current budget status, monthly cash-flows, and combined balance sheet or current fund equity balances at each regular monthly school board meeting. A copy of all required financial reports shall be included in the official minutes of the board meeting at which the reports were discussed.

**Finding Detail:** During the review of Rankin County School District’s Board minutes, we noted the July 2019 financial reports were submitted to the School Board October 9, 2019.

Failure to submit a complete set of financial reports to the School Board monthly could result in the loss or misappropriation of public funds.

**Recommendation:** We recommend the School District ensure all monthly financial reports are submitted to the School Board monthly, as required by state law.

**District's Response:** The District has traditionally approved the monthly reports at the Board meeting following reconciliation and not month end. The exception to this procedure was during the months of closing out a fiscal year. We had modified this procedure when closing out the most recent fiscal year FY 20. Preliminary June 2020 monthly reports were approved in August. Preliminary July 2020 reports will be approved in September. Final reports will go the Board after closing out the year.

**Repeat Finding:** No.

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

**Applicable Law:** *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 fifty-six (56) retired and rehired employees, we noted the following instances of noncompliance regarding the completion and filing of PERS Form 4Bs:

- One (1) employee was overpaid **\$487**;
- Nine (9) forms did not indicate the retirement dates of the employees;
- One (1) revised/amended Form 4B was not submitted to PERS within five (5) days of salary or position change; and
- Fifty-five (55) Form 4Bs did not indicate evidence of the filing date to PERS.

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

**Recommendation:** We recommend the School District strengthen controls to ensure compliance with state laws by properly completing the required Form 4Bs and submitting the forms to PERS within five (5) days from the date of reemployment.

**District's Response:** The District has implemented procedures to ensure all PERS form 4Bs will be properly completed and filed in a timely manner. These procedures include indicating the retirement date and documenting the filing date. The overpayment of the one retiree was primarily due to administrative leave issues. The District will strengthen controls over tracking retiree pay.

**Repeat Finding:** No.

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**Finding 5:** The School District Should Ensure Compliance with State Laws over Surety Bonds.

**Applicable 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.”

**Finding Detail:** During our review of the School District’s surety bonds, we noted three (3) Board members were covered by “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. In the event of fraud or misappropriation of funds, having continuation certificates instead of new bonds could limit the amount available for recovery if the loss occurred over multiple terms.

Failure to be correctly and sufficiently bonded could limit the amount available for recovery in the event of fraud, theft, or misappropriation of public funds.

**Recommendation:** We recommend the School District ensure new bonds are secured 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, as required by state laws and regulations.

**District’s Response:** The District will continue to process of updating surety bonds from those with continuation certificates.

**Repeat Finding:** No.

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## **OTHER RECOMMENDATIONS MADE BY THE OFFICE OF THE STATE AUDITOR**

The Office of the State Auditor recommends that the School Board consider obtaining new surety bonds for Board members, the Superintendent, Purchase Agents, and Principals. As noted during our test work, most of these officials and employees are covered by “continuation certificates” or renewals. 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**



# Rankin County School District

TRADITION OF EXCELLENCE

BRANDON FLORENCE McLAURIN NORTHWEST PELAHATCHIE PISGAH PUCKETT RICHLAND

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Post Office Box 1359 | Brandon, MS 39043 | p 601.825.5590 | f 601.825.2618 | [www.rcsd.ms](http://www.rcsd.ms)

## **COMPLIANCE REVIEW FINDINGS**

August 4, 2021

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

Dear Mr. White:

Enclosed for your review are the responses and corrective action plans for the findings in the Limited Internal Control and Compliance Review Management Report of the Rankin County School District for the year ended June 30, 2020. Please contact me at 601.825.5590 or Melissa Barnes at [melissa.barnes@rcsd.ms](mailto:melissa.barnes@rcsd.ms) if any additional information is needed.

### **AUDIT FINDINGS:**

**Finding 1:** The School District Should Strengthen Internal Controls over Activity Fund Cash Receipts.

**Internal Control Deficiency:** Management is responsible for ensuring that all revenue is properly earned, recorded, and deposited in order to safeguard the assets of the School District.

*School Board Policy Section D, Fiscal Management, 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...”*

**Finding Detail:** During the testing of the School District’s activity funds, the auditors noted the following exceptions:

- Six out of 12 deposits were less than the ticket sales, totaling **\$151**; and
- Three out of 12 deposits were in excess of ticket sales, totaling **\$92**.

Inadequate internal controls related to activity fund revenue collection and receipting could result in a loss of assets and improper revenue recognition.

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Dr. Sue Townsend  
Superintendent of Education

**Recommendation:** We recommend the Rankin County School District strengthen controls over policies and procedures to ensure receipts from all activity funds are safeguarded, properly recognized, and recorded.

**Response:** The District concurs with the finding. The District will continue to stress with principals, bookkeepers, and ticket takers the importance of reconciling tickets sold for Activity Funds.

**Corrective Action Plan:**

- a. The District will continue to stress with principals, bookkeepers, and ticket takers the importance of reconciling tickets sold to monies received for school events at the local school level. The District emphasized this issue with the principals and bookkeepers at administrative training meetings.
- b. Responsible person: Melissa Barnes, Chief Financial Officer
- c. This item has been corrected.

**Finding 2:** The School District Should Strengthen Internal Controls over Deposits and Ensure Compliance with State Laws over Sixteenth Section Lease Revenue and Tax Payments.

**Internal Control Deficiency:** *The Internal Control – Integrated Framework published by the committee of Sponsoring Organizations of the Tread-way Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

**Applicable Law:** *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 the School District's sixteenth section land leases, the auditors noted the following instances of noncompliance out of 20 tested:

- Three instances in which lease payments were not deposited in a timely manner; and
- Four instances where taxes were not current; however, the lease agreements were not terminated, totaling **\$3,692**.

Failure to terminate lease agreements due to the non-payments of property taxes resulted in noncompliance with state laws and regulations. Inadequate internal controls relating to receipting sixteenth section revenue could result in a loss of assets and improper revenue recognition.

**Recommendation:** We recommend the Rankin County School District strengthen controls to ensure taxes are current, as required by state laws and regulations. Additionally, we recommend all lease payments be deposited timely.

**Response:** The District concurs with the finding. The District will strengthen the controls around the timely depositing of 16th section payments. The District has contacted the Rankin County Tax Collector to ensure the District is notified when taxes are not paid on 16th Section land by February 1st.

**Corrective Action Plan:**

- a. The District has addressed these issues with the personnel responsible for these 16th Section issues. In addition, the District contacted the Rankin County Tax Collector to ensure the District is notified when taxes are not paid on 16th Section land by February 1st.
- b. Responsible person: Melissa Barnes, Chief Financial Officer
- c. This item has been corrected.

**Finding 3:** The School District Should Ensure Compliance with State Laws over Financial Reports.

**Applicable Law:** *Section 37-9-18, Mississippi Code Annotated (1972)*, requires all financial reports be submitted to the local school board. According to the board's policy, financial reports that shall be submitted to the Board include reconciled bank statements, statement of revenues and expenditures, current budget status, monthly cash-flows, and combined balance sheet or current fund equity balances at each regular monthly school board meeting. A copy of all required financial reports shall be included in the official minutes of the board meeting at which the reports were discussed.

**Finding Detail:** During the review of the School District's Board minutes, the auditors noted the financial reports for July 2019 were not submitted to the School Board until October 9, 2019.

Failure to submit a complete set of financial reports to the School Board monthly could result in the loss or misappropriation of public funds.

**Recommendation:** We recommend the Rankin County School District ensure all monthly financial reports are submitted to the School Board monthly, as required by state law.

**Response:** The District concurs with this finding. The District has consistently approved the monthly financial reports within the second month following the date of the financial reports. The only exception to this procedure was during the months of closing out a fiscal year. Since the July 2019 financial reports, all financial reports have been approved within the second month following the date of the financial reports.

**Corrective Action Plan:**

- a. Since July 2019, all monthly financial reports have been approved within the second month following the date of the financial reports.
- b. Responsible person: Melissa Barnes, Chief Financial Officer
- c. This item has been corrected.

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

**Applicable Law:** *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 the School District's PERS Form 4Bs, the auditors noted the following instances of noncompliance out of 56 forms tested:

- One instance where an employee was overpaid, totaling **\$487**;
- Nine instances where forms did not indicate the retirement date of the employee;
- One instance where a revised/amended form was not submitted to PERS within five days of salary or position change; and
- Fifty-five instances where forms did not indicate evidence of the filing date to PERS.

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

**Recommendation:** We recommend the Rankin County School District ensure compliance with state laws by properly completing the required Form 4Bs and submitting the forms to PERS within five days from the date of reemployment.

**Response:** The District concurs with this finding. The District has implemented procedures to ensure all PERS form 4Bs will be properly completed and filed in a timely manner. These procedures include indicating the retirement date and documenting the filing date. The overpayment of the one retiree was primarily due to administrative leave issues during the COVID pandemic. The District will strengthen controls over tracking retiree pay.

**Corrective Action Plan:**

- a. The District has implemented procedures to ensure all PERS form 4Bs are properly completed and filed in a timely manner. These procedures include indicating the retirement date and documenting the filing date. Personnel in the Human Resources Department and the Payroll Department have been instructed regarding the new procedures.
- b. Responsible person: Melissa Barnes, Chief Financial Officer
- c. This item has been corrected.

**Finding 5:** The School District Should Ensure Compliance with State Laws over Surety Bonds.

**Applicable 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."

**Finding Detail:** During the review of the School District's surety bonds, the auditors noted three Board members were covered by "continuation certificates."

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. In the event of fraud or misappropriation of funds, having continuation certificates instead of new bonds could limit the amount available for recovery if the loss occurred over multiple terms.

Failure to be correctly and sufficiently bonded could limit the amount available for recovery in the event of fraud, theft, or misappropriation of public funds.

**Recommendation:** We recommend the Rankin County School District ensure compliance with state laws by securing new bonds every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.

**Response:** The District concurs with this finding. The District has updated surety bonds from those board members with continuation certificates.

**Corrective Action Plan:**

- a. The District has contacted the insurance agency that maintains the surety bonds for the District. All board members are now covered by a surety bond instead of a continuation certificate.
- b. Responsible person: Melissa Barnes, Chief Financial Officer
- c. This item has been corrected.



Dr. Sue Townsend  
Superintendent