



Benton County 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
AUDITOR**

August 21, 2020

Limited Internal Control and Compliance Review Management Report

Benton County School District
231 Court Street
Ashland, Mississippi 38603

Members of the Benton County School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for Benton County School District for the fiscal year 2019. In these findings, the Office of the State Auditor recommends that Benton County School District:

1. Strengthen Internal Controls over Digital Signatures;
2. Strengthen Internal Controls over Disbursing Claims;
3. Strengthen Internal Controls over Receiving and Disbursing Cash;
4. Strengthen Internal Controls over Purchasing;
5. Strengthen Internal Controls over Travel Reimbursements;
6. Ensure Compliance with State Law over Surety Bonds;
7. Ensure Compliance with State Law over Statements of Economic Interest;
8. Ensure Compliance with State Law over Tax-Exempt Status;
9. Ensure Compliance with State Law over Purchasing;
10. Ensure Compliance with State Law over Remitting Vendor Disbursements;
11. Ensure Compliance with State Law over Education Enhancement Funds;
12. Ensure Compliance with State Law over Filing the Original Budget;
13. Ensure Compliance with State Law over Board Minutes;
14. Ensure Compliance with State Law over Depository Bids;
15. Ensure Compliance with State Law over Presenting Monthly Financial Statements; and
16. Ensure Compliance with State Law over the Coding of Expenditures.

Please review the recommendations and submit a plan to implement them by August 28, 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.

Benton County School District
August 21, 2020
Page **2** of **13**

I hope you find our recommendations to enable the Benton 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 being the most prominent.

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 Benton 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; Travis Mitchell, CPA; Brandon Armstrong; and Kimberly Fitts.

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 *material weakness* in internal control and certain deficiencies in internal control that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **MATERIAL WEAKNESSES** and **SIGNIFICANT DEFICIENCIES**.

In addition, while performing our review, we noted certain instances of noncompliance with laws and regulations that require the attention of management. These matters are noted under the headings **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**. The Auditor's Office has also made a recommendation for management's consideration that it is not in violation of state law.

MATERIAL WEAKNESSES:

Finding 1: The School District Should Strengthen Internal Controls over Digital Signatures.

Internal Control Weakness: An effective system of internal controls, require digital signatures to only be affixed to documentation by the individual whose signature is authorizing such documents.

Finding Detail: During our review of Benton County School District, we noted that employees were able to print the Superintendent's digital signature on employees' contracts, purchase orders, and checks without the Superintendent manually reviewing/approving such documents.

Failure to implement adequate controls could result in fraud, loss, or misappropriation of public funds.

Recommendation: We recommend the Superintendent strengthen controls to ensure that he is the only person that can affix his digital signature to documents after reviewing/approving such documents.

Repeat Finding: No.

Finding 2: The School District Should Strengthen Internal Controls over Disbursing Claims.

Internal Control Weakness: An effective system of internal controls requires claims to be approved by the School Board before payments being disbursed.

Finding Detail: During our review of Benton County School District, we noted that the decentralized accounting system is used in accounting for activity funds. Therefore, payments for claims are disbursed from the activity funds before approval by the School Board.

The Mississippi Department of Education's *Financial Accounting Manual for Public School Districts, Section D*, states, "Centralized purchasing is recommended for all districts. It is the most efficient and effective means of handling purchasing. With centralized purchasing, all purchases of the School District are handled by one department. This would include the receiving of all purchases also. This process enhances the controls surrounding the purchasing function of the School District.

While centralized purchasing is not a requirement for activity funds, it is recommended and allows for the greatest amount of internal control by the School Board.

Failure to follow an adequate system of internal controls could result in fraud, misappropriation, or loss of public funds.

Recommendation: We recommend the School District strengthen internal controls over the activity funds by requiring that the School Board approve all claims before the disbursement of funds.

Repeat Finding: No.

Finding 3: The School District Should Strengthen Internal Controls over Receiving and Disbursing Cash.

Internal Control Weakness: An effective system of internal controls requires segregation of duties between the person signing checks, handling and depositing cash, and reconciling the bank statements.

Finding Detail: During our review of Benton County School District's internal controls, we noted that the Business Manager was able to sign checks, handle and deposit cash, and reconcile the bank statements.

Lack of proper internal controls could result in errors or misappropriation of the School District's monies, and those errors or misappropriations not being detected.

Recommendation: We recommend the School District should implement proper segregation of duties regarding cash collection, deposits, and bank reconciliations.

Repeat Finding: No.

SIGNIFICANT DEFICIENCIES:

Finding 4: The School District Should Strengthen Internal Controls over Purchasing.

Internal Control Deficiency: An effective system of internal controls requires quotes to be obtained from two (2) or more vendors, purchase requisitions to be completed prior to the purchase being made, and the retention of all invoices.

Finding Detail: During our review of Benton County School District's purchasing procedures, we noted the following exceptions:

- One (1) purchase where bids were received from ASI and Whitefield Electric Company; however, the Whitefield Electric Company's bid was submitted from ASI's fax number, indicating the bids were not competitive;
- Five (5) instances where invoices were dated between one (1) and one hundred and seventy-seven (177) days prior to the purchase requisition date; and
- One (1) instance where the vendor's invoice was not provided with the purchasing documentation.

Failure to maintain proper internal controls results in fraud and misappropriation or loss of public funds.

Recommendation: We recommend the School District strengthen internal controls over purchasing.

Repeat Finding: No.

Finding 5: The School District Should Strengthen Internal Controls over Travel Reimbursements.

Internal Control Deficiency: An effective system of internal controls includes pre-approving travel, providing corroborating evidence to support the purpose of travel, and not issuing travel advances several months before the date of the conference.

Finding Detail: During our review of Benton County School District's travel expenditures, we noted the following exceptions:

- Twenty-seven (27) instances where travel was not pre-approved by the School Board;
- Twenty-two (22) instances where mileage was reimbursed at an amount lower than the federal rate. The Board policy states that they will follow the mileage reimbursement rate allowable to federal employees;
- Nineteen (19) instances where no corroborating evidence to support the purpose of travel was maintained;
- Four (4) instances where travel advances, totaling \$3,060, were paid two (2) months prior to the date of the conference;
- One (1) instance where the Superintendent was paid \$424 for providing a meal at the Board meeting; however, there was only supporting documentation supporting \$24 in charges;
- One (1) instance where an employee was reimbursed \$49 per diem, which exceeds the maximum daily amount of \$41 by \$8; and
- One (1) instance where no purpose of travel was listed on the travel expenditure claim.

Lack of proper controls could result in errors or misappropriation of the School District's monies and those errors or misappropriations not being detected.

Recommendation: We recommend the School District implement proper controls over travel expenditures.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS:

Finding 6: The School District Should Ensure Compliance with State Law over Securing New Surety Bonds.

Applicable State Law: *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 25-1-15(1), Mississippi Code Annotated (1972), states, “...The bonds of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the office of the clerk of the chancery court of the county...”

Finding Detail: During our review of Benton County School District’s surety bonds, we noted the following exceptions:

- All five (5) Board Members bonds were annual “Verification Certificates”; and
- All bonds were not filed with the Benton County Chancery Clerk’s office.

“Verification Certificates” are used for continuous bonds, which means that the bond does not have a definite term. 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: We recommend the School District should ensure that new bonds are secured to the School District 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 statutorily required.

Repeat Finding: No.

Finding 7: The School Board Should Ensure Compliance with State Law over Statements of Economic Interest.

Applicable State Law: *Section 25-4-25, Mississippi Code Annotated (1972)*, states, “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 ...; (b) Members of local school boards that administer public funds, regardless of whether such members are elected or appointed ... “

Section 25-4-29(1)(a), Mississippi Code Annotated (1972), states, “Every incumbent public official required by paragraphs (a), (b), (d) and (e) of *Section 25-4-25* 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 holds office, regardless of duration.”

Section 25-4-29(2), Mississippi Code Annotated (1972), states, “Any person who fails to file a statement of economic interest within thirty (30) days of the date the statement is due shall be deemed delinquent by the commission. The commission shall give written notice of the delinquency to the person by United States mail or

by personal service of process. If within fifteen (15) days of receiving written notice of delinquency the delinquent filer has not filed the statement of economic interest, a fine of Fifty Dollars (\$50) 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.”

Finding Detail: During our review of the School District’s Statements of Economic Interest, it was noted that two (2) of the Board Members and the Superintendent failed to file a Statement of Economic Interest with the Mississippi Ethics Commission.

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 filers, as allowed by *Section 25-4-29(2)*.

Recommendation: We recommend the School District ensure each Board Member file their Statement of Economic Interest no later than May 1st of each year that such official holds office, as required by law.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Tax-Exempt Status.

Applicable State Law: *Section 27-65-105, Mississippi Code Annotated (1972)*, states, “The tax levied by this chapter shall not apply to the following:

- (a) Sales of property, labor, services or products taxable under *Sections 27-65-17, 27-65-19, 27-65-23 and 27-19-26*, when sold to and billed directly to and payment therefor is made directly by the United States government, the State of Mississippi and its departments, institutions, counties and municipalities or departments or school districts of said counties and municipalities.”

Finding Detail: During our review of Benton County School District’s credit card expenditures, we noted seven (7) out of the twenty-two (22) sample items tested included state and local taxes on hotel reservations (some reservations included multiple rooms) totaling \$516.

Recommendation: We recommend the School District ensure the School District does not pay state and local taxes for property, labor, services, or products. Paying state and local taxes results in noncompliance with the section code referenced above, as well as the unnecessary expending of District monies.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Purchasing.

Applicable State Law: *Section 31-7-13(b), Mississippi Code Annotated (1972)*, states, “Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained.” Competitive” shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids.

Section 31-7-13(m)(viii), Mississippi Code Annotated (1972), states, “In connection with the purchase of noncompetitive items only available from one (1) source, a certification of the conditions and circumstances requiring the purchase shall be filed by the agency with the Department of Finance and Administration and by the governing authority with the board of the governing authority. Upon receipt of that certification the Department of Finance and Administration or the board of the governing authority, as the case may be, may, in writing, authorize the purchase, which authority shall be noted on the minutes of the body at the next regular meeting thereafter.”

Finding Detail: During our review of Benton County School District’s purchasing, we noted the following exceptions:

- Thirteen (13) instances out of the twenty-five (25) sample items tested where no bids or quotes were obtained for purchases over Five Thousand Dollars (\$5,000) but less than Fifty Thousand Dollars (\$50,000);
- The School District received two (2) quotes for the purchase of security cameras from ASI and one (1) quote from Whitfield Electric Company; however, the Whitfield Electric Company’s quote was submitted from ASI’s fax number, indicating the bids were not competitive;
- Two (2) instances where the quotes obtained were online shopping carts, not written competitive bids as required by statute; and
- A purchase made from Nancy Larson Publishing that was listed as a sole source purchase on the supporting documentation attached to the claim; however, the sole source purchase was not spread upon the board meeting minutes.

Recommendation: We recommend the School District ensure at least two (2) competitive written bids are obtained for every purchase greater than \$5,000. Purchases made without receiving competitive bids could result in overpayment for goods or services, fraud, and misappropriation or loss of public funds. The School District should also ensure all sole source purchases are presented in the Board minutes.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Timely Vendor Payments.

Applicable State Law: *Section 31-7-305(2), Mississippi Code Annotated (1972)*, states, “All public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks no later than forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods or services.”

Finding Detail: During our review of Benton County School District’s expenditures, we noted the following five (5) claims were paid between forty-seven (47) and one hundred eighty-one (181) days late:

<u>VENDOR:</u>	<u>AMOUNT:</u>
• Addy Photography	\$7,073
• Howard Computer	\$6,197
• Howard Computers	\$800
• Howard Technology	\$5,575
• Newell Paper Company	\$1,040

Failure to timely pay vendors results in noncompliance with the code section referenced above, and could result in additional fees in interest or penalties

Recommendation: We recommend the School District ensure all claims are paid within forty-five (45) days after receipt of the invoice.

Repeat Finding: Yes; 2018:1

Finding 11: The School District Should Ensure Compliance with State Law over Education Enhancement Funds.

Applicable State Law: *Section 37-61-33(2)(d), Mississippi Code Annotated (1972)*, states, “Of the amount deposited into the Education Enhancement Fund, Sixteen Million Dollars (\$16,000,000.00) shall be appropriated each fiscal year to the State Department of Education to be distributed to all school districts. Such money shall be distributed to all school districts in the proportion that the average daily attendance of each school district bears to the average daily attendance of all school districts within the state for the following purposes: As a pledge to pay all or a portion of the debt service on debt issued by the school district under *Sections 37-59-1 through 37-59-45, 37-59-101 through 37-59-115, 37-7-351 through 37-7-359, 37-41-89 through 37-41-99, 37-7-301, 37-7-302 and 37-41-81*, or debt issued by boards of supervisors for agricultural high schools pursuant to *Section 37-27-65*, if such pledge is accomplished pursuant to a written contract or resolution approved and spread upon the minutes of an official meeting of the district’s school board or board of supervisors.”

Finding Detail: During our review of Benton County School District’s board minutes, we noted the School District did not spread upon the minutes the intent to pledge the monies toward all or a portion of a debt service.

Failure to spread the School District’s intent to pledge Education Enhancement Funds toward a debt service upon the board minutes results in noncompliance as well as a lack of transparency.

Recommendation: We recommend the School District ensure compliance with *Section 37-61-33(2)(d)*.

Repeat Finding: No.

Finding 12: The School Board Should Ensure Compliance with State Law over Filing the Original Budget.

Applicable State Law: *Section 37-61-9(1), Mississippi Code Annotated (1972)*, states, “On or before the fifteenth day of August of each year, the local school board of each school district, with the assistance of the Superintendent of schools, shall prepare and file with the levying authority for the school district, as defined in *Section 37-57-1*, at least two (2) copies of a budget of estimated expenditures for the support, maintenance and operation of the public schools of the school district for the fiscal year commencing on July 1 of such year. Such budget shall be prepared on forms prescribed and provided by the State Auditor and shall contain such information as the State Auditor may require.”

Finding Detail: During our review of the Benton County School District, we noted that the fiscal year 2018 original budget was never filed with the levying authority. This budget was also never approved by the School Board.

Failure to file the initial budget resulted in noncompliance with *Section 37-61-9(1)* and a lack of transparency between the School District and the levying authority.

Recommendation: We recommend the School District implement procedures to ensure the approval and filing of the original budget with Benton County by August 15th of each year.

Repeat Finding: No.

Finding 13: The School District Should Ensure Compliance with State Law over Board Minutes.

Applicable State Law: *Section 37-6-9, Mississippi Code Annotated (1972)*, states, “Minutes shall be kept of all meetings of the school board showing (a) the members present and absent; (b) the date, time and place of the meeting; (c) an accurate recording of any final actions taken at such meeting; (d) a record by individual member of any votes taken at such meeting; and (e) any other information that the school board requests to be reflected in the minutes. Each member of the school board present shall either vote or abstain on every question upon which a vote is taken at such meeting. All action taken by a school board shall become official at the time it is taken. All minutes of the school board shall be signed by the president of the board, shall be attested by the secretary of the board and shall be adopted by the board at the next regular meeting, or within thirty (30) working days, whichever occurs later.”

Finding Detail: During our review of Benton County School District’s board meeting minutes, we noted the following exceptions:

- The actual advertisement of the school depository bids and the actual bid received from the sole bidder (Merchants and Farmers Bank) were not included in the minutes or the supplementary exhibits; and
- Neither the Board President nor the Board Secretary signed any of the official board minutes.

Failure to maintain documentation and sign the board minutes results in noncompliance with the section code referenced above.

Recommendation: We recommend the School District maintain accurate documentation for all matters discussed and voted on during the board meetings and the Board President. Also, the Board Secretary should sign all official minutes at the next regular meeting or within thirty (30) working days, whichever is later.

Repeat Finding: No.

Finding 14: The School District Should Ensure Compliance with State Law over Presenting Monthly Financial Reports.

Applicable State Law: *Section 37-9-18(1)(a), Mississippi Code Annotated (1972)*, states, “The State Board of Education shall promulgate rules and regulations concerning the type of financial reports required to be submitted by the Superintendent of schools to the local school board, and the frequency with which the reports shall be submitted by the Superintendent of schools to the local school board, and the frequency with which the reports shall be submitted. The rules and regulations promulgated by the board shall include:

- i) A requirement that the reports be listed as an agenda item for discussion at a regularly scheduled meeting of the board;

- ii) A requirement that the minutes of the board meeting reflect that the reports were discussed;
- iii) A requirement that each board member present be provided a copy of all required reports; and
- iv) A requirement that a copy of all required reports be included in the official minutes of the board meeting at which the reports were discussed.”

Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3, further promulgates that the following financial reports be made part of the official minutes each month at the regular school board meeting: reconciled bank statements, Statement of Revenues and Expenditures, Current Budget Status, Cash Flow Statement by Month, and Combined Balance Sheet or current fund equity balances.

Finding Detail: During our review of Benton County School District’s monthly financial statements presented to the School Board, we noted that the monthly financial statements were not presented for six (6) out of the twelve (12) months. We also noted that the Superintendent failed to present a cash flow statement for any of the twelve (12) months.

Failure to include the required financial reports in the official board minutes at the regular meeting each month results in a lack of transparency, which could lead to loss of trust between the School District and the public.

Recommendation: We recommend the School District ensure that the Superintendent presents all the required reports to the School Board at the regular school board meeting each month and spread the reports in the official board minutes.

Repeat Finding: No.

Finding 16: The School District Should Ensure Compliance with State Law over Coding of Expenditures.

Applicable State Law: *Section 37-9-18(3)(b), Mississippi Code Annotated (1972)*, states, “When conducting an audit of a public school district, the State Auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing correct and appropriate functional level expenditure codes in expenditures by the school district. Compliance standards for this audit provision shall be established by the Office of the State Auditor. Based upon the auditor report, the State Auditor shall compile a report on the compliance or noncompliance by all public school districts with correct and appropriate coding at the function level, which report must be submitted to the Chairmen of the Education and Appropriations Committees of the House of Representatives and Senate.”

Finding Detail: During the review of Benton County School District’s purchasing procedures, we noted the following eight (8) purchases that were incorrectly coded at the function level:

<u>Item(s) Purchased:</u>	<u>Amount:</u>	<u>Function Code Used:</u>	<u>Correct Function Code:</u>
• Travel Bus service	\$12,330	Function Code not Prescribed by MDE	Student Activities
• Roof Replacement	\$11,000	Operating Building Services	Site Improvement Services
• Principal’s Computer	\$584	Middle Junior High Programs	Office of Principal Services
• Principal’s Computer	\$584	High School Programs	Office of Principal Services
• Website Subscription	\$5,400	Computer Assisted Instruction Services	Information Services

• Case Testing	\$17,590	Improvement of Instruction Services	Regular Programs
• Maintenance Van	\$8,000	Vehicle Operation Services (Student Transportation)	Vehicle Operation Services (Other than Student Transportation)
• Science Materials	\$7,634	Improvement of Instruction Services	Middle School Programs

Failure to properly code expenditures could result in an inaccurate and/or misleading representation of financial transactions, and a possible misstatement of the District's financial statements

Recommendation: We recommend the School District ensure expenditures are correctly coded.

Repeat Finding: No.

OTHER RECOMMENDATION 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, Principals, and Purchasing Agent. As noted during our test work, the Board Members, Principals, and Purchasing Agent are covered under continuous bonds renewed by "Verification Certificates". Failure to have a bond in place for specific terms of employment could limit the amount available for recovery if a loss occurred over multiple terms.

End of Report

Benton County School District

Dr. LaKimberly Hobson, Superintendent

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www.benton.k12.ms.us

231 Court St – PO Box 247 – Ashland, MS 38603



Pamela Gray - Assistant Superintendent
Charles McDonald - Operations Director
Tonya Kuhl - Finance Director
Shonika Hamilton - Human Resource Director
Sherrie Davis - Finance & HR Liaison
Sandy Childs-Jones - Technology Director
Anola Stricklin - Child Nutrition Director
Tony Taylor - Transportation Director
Amanda Ford - Data & Statistics Analyst
Candace Sanders - Administrative Assistant

COMPLIANCE REVIEW FINDINGS

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
PO BOX 956
Jackson, MS 39205-0956

August 24, 2020

Dear Mr. White:

Listed below are the responses to the findings from Benton County School District (0500) internal audit. In our effort to ensure complete compliance, please let us know if any response does not meet the approval of the auditor's office. Thank you in advance for your assistance.

AUDIT FINDINGS:

- I. The School District should strengthen Internal Controls over Digital Signatures.
 - A. Response
 1. Benton County Schools utilize the financial management system, Integrity. We are currently working to add another layer of approval to the system that will be used by the Superintendent prior to the digital signature being used.
 - B. Corrective Action Plan
 1. Approval of Requisition by superintendent and department head.
 2. Upgrade of requisition to PO
 3. Once merchandise is received and request for payment entered into system by Accounts Payable, Superintendent will then approve again for the activation of the digital signature.

- II. The School District should strengthen Internal Controls over Disbursing Claims**
 - A. Response**
 - 1. Benton County Schools will utilize a decentralized accounting system with some reforms.
 - B. Corrective Action Plan**
 - 1. Benton County School Board will be presented with a list of approved activity fund vendors that the schools use through its decentralized accounting system.
 - 2. Benton County School Board will approve a maximum amount per vendor. Anything that exceeds that board approved amount must be presented to the board for payment.
- III. The School District should strengthen Internal Controls over receiving and disbursing cash.**
 - A. Response**
 - 1. Benton County School District has implemented a segregation of duties to address the problem.
 - B. Corrective Action Plan**
 - 1. Funds will be receipted though the administrative assistant office.
 - 2. Once properly receipted, the administrative assistant will prepare the bank deposit slip.
 - 3. The deposit will then be given to the Superintendent or Assistant Superintendent for deposit.
 - 4. The deposit slip will then be given to the Business Manager for reconciliation purposes.
- IV. The School District should strengthen Internal Controls over Purchases.**
 - A. Response**
 - 1. Benton County Schools will implement and fully utilize the state purchasing guidelines for all purchases.
 - B. Corrective Action Plan**
 - 1. Prior to any requisition being upgraded to a PO, bids must be submitted to the accounts payable office.
- V. The School District should strengthen Internal Controls over travel reimbursements.**
 - A. Response**
 - 1. Benton County Schools will implement and fully utilize the state and federal travel imbursement guidelines.
 - B. Corrective Action Plan**
 - 1. Travel requests will be submitted for school board approval.
 - 2. Travel requests must be submitted completely and accurately for reimbursement.
 - 3. All travel requests must be approved by the Superintendent and/or Assistant Superintendent prior to school board submission.
- VI. The School District should ensure compliance with state law over securing new surety bonds.**
 - A. Response**

1. Benton County Schools will ensure that new bonds are secured to the school district every four years and filed in the Benton County Chancery Clerk's office.
- B. Corrective Action Plan
 1. Each year, the Business manager will contact the Benton County Chancery Clerk's office to check on the status of each listed bond.
 2. If a bond is expired or close to expiration, the Business manager will ensure that it is properly renewed.
- VII. The School Board should ensure compliance with state law over Statements of Economic Interest.
 - A. Response
 1. At the time of the audit, Benton County School Board members were not aware of this state requirement.
 - B. Corrective Action Plan
 1. Each year, each school board member will file electronically the Statement of Economic Interest by April regular scheduled school board meeting.
- VIII. The School District should ensure compliance with state law over tax-exempt status.
 - A. Response
 1. Benton County Schools will ensure that the district does not pay local and/or state sale tax.
 - B. Corrective Action Plan
 1. The Business Manager will ensure that the district's tax exempt status is current (expires 2025).
 2. When booking hotel reservations, etc., the administrative assistant will provide proof of tax exempt status at time of room reservation.
- IX. The School District should ensure compliance with state law over purchasing.
 - A. Response
 1. Benton County Schools will ensure that proper purchasing laws are followed.
 - B. Corrective Action Plan
 1. Each purchase over \$5,000.00 will be required to have at least two competitive written bids (not online shopping carts, etc.).
 2. A requisition of more than \$5,000.00 will not be upgraded to a PO without the said competitive bids attached to the request for school board approval.
- X. The School District should ensure compliance with state law over timely vendor payments.
 - A. Response
 1. Benton County Schools is working with its vendors to ensure timely payments and receipt of services.
 - B. Corrective Action Plan
 1. Each month, the Accounts Payable Clerk will send out a list of POs that are twenty days old to each of the building business clerks.
 2. The clerks will respond electronically to the email with the reason why the school has not requested payment of the PO in order to ensure that all POs are paid in a timely manner.

- XI. The School District should ensure compliance with state law over Education Enhancement Funds.**
- A. Response**
- 1. Benton County Schools will adhere to the state laws governing Education Enhancement Funds.**
- B. Corrective Action Plan**
- 1. The Business Manager will present the itemized budget that includes the pledge of EEf toward a debt service for schoolboard approval.**
- XII. The School Board should ensure compliance with state law over filing the original budget.**
- A. Response**
- 1. Benton County School will create a monthly planning system to ensure that all budgetary deadlines are met.**
 - 2. Each month, the Business Manager, with the assistance of the School Board Clerk and Superintendent, will create the monthly school board agenda to ensure that all deadlines are met the month prior to the deadline whenever possible.**
- XIII. The School Board should ensure compliance with state law over Board Minutes.**
- A. Response**
- 1. Benton County School Board will ensure that board minutes are signed appropriately.**
- B. Corrective Action Plan**
- 1. As part of the standing school board agenda, a section will be added for the signing of the approved school board minutes.**
 - 2. The School Board Clerk will ensure that the action is done at each board meeting.**
- XIV. The School District should ensure compliance with state law over presenting monthly financial reports.**
- A. Response**
- 1. Benton County School will comply with state law over monthly financial statements.**
- B. Corrective Action Plan**
- 1. Each month, the Business Manager will present a monthly financial statement that includes the cash flow statements to the school board for board approval.**
- XV. The School District should ensure compliance with state law over coding of expenditures.**
- A. Response**
- 1. Benton County Schools Director of Finance office will provide up to date function code information to each school site and actively monitor its usage.**
- B. Corrective Action Plan**
- 1. The Business Manager will communicate via email and phone any changes to the function coding system to ensure that the school site has up to date coding at all times.**
 - 2. The Business Manager, along with the Accounts Payable Clerk and Superintendent, will actively monitor to ensure that the correct function code is used.**