



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

July 7, 2020

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

Calhoun County School District  
119 W Main Street  
Pittsboro, Mississippi 38951

Members of the Calhoun County School Board:

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

1. Strengthen Internal Controls over Activity Funds;
2. Strengthen Internal Controls over Purchasing;
3. Ensure Compliance with State Laws over Statements of Economic Interest;
4. Ensure Compliance with State Laws over Rehiring PERS Retirees;
5. Ensure Compliance with State Laws over Delinquent Sixteenth Section Lease Payments;
6. Ensure Compliance with State Laws over Appraisals of Sixteenth Section Properties;
7. Ensure Compliance with State Laws over Obtaining Competitive Bids;
8. Ensure Compliance with State Laws over School Depositories;
9. Ensure Compliance with State Laws over Monthly Financial Reports;
10. Ensure Compliance with State Laws over Budgeting; and
11. Ensure Compliance with the *Children's Internet Protection Act*.

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.

Calhoun County School District  
July 7, 2020  
Page 2 of 9

I hope you find our recommendations to enable the Calhoun 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 written in a cursive, flowing style.

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

The Office of the State Auditor has completed its limited internal control and compliance review of the Calhoun 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; Bryan White, CPA, Kimberly Fitts, and Shelly McKee.

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 being *significant deficiencies*. These matters are noted under the heading **SIGNIFICANT DEFICIENCIES**.

In addition, we noted certain instances of non-compliance with state laws that require the attention of management and other recommendation for consideration by management. These matters are noted under the headings of **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND OTHER REGULATIONS**.

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### **SIGNIFICANT DEFICIENCIES**

**Finding 1:** The School District Should Strengthen Internal Controls over Activity Funds.

**Internal Control Deficiency:** An effective system of internal control over the collection of revenue at school athletic events requires issuing sequentially numbered tickets at athletic events to document the total number of tickets sold at each game. Adequate internal controls help to ensure all monies receipted were documented correctly and provided to the School District.

**Finding Detail:** During our review of athletic event revenues from eighteen (18) home athletic events, we noted that during one game, one of the two gates sold out of tickets. The ending number of tickets sold listed on the transmittal sheet was greater in sequence than the ending number of the tickets issued. As a result of the gate selling out of tickets, the gatekeeper took the total dollar amount collected and divided it by the ticket amount to calculate the number of tickets sold that was referenced on the transmittal sheet. Due to this, the District was not provided with sufficient documentation to support the total amount of revenue collected at the sporting event.

Failure to maintain adequate internal controls, including accurate ticket counts at athletic events, can lead to theft or loss of public funds.

**Recommendation:** We recommend the School District ensure policies and procedures are established and followed to guarantee proper documentation of receipts from athletic events. This issue could be avoided in the future by issuing a more significant amount of tickets for each sporting event.

**Repeat Finding:** No.

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**Finding 2:** The School District Should Strengthen Internal Controls over Purchasing.

**Internal Control Deficiency:** An effective system of internal controls requires the individual requesting the purchase of commodities, to complete and sign the purchase requisition.

**Finding Detail:** During our review of the purchasing procedures for Calhoun County School District, the following exceptions were noted with the documentation for two (2) purchase orders:

- The School Bookkeeper prepared a purchase requisition for \$1,000 for “one football apparel”; however, the final invoiced was \$7,297. The related purchase order was issued a total of \$1,000, and approval for an increase in the purchase order amount was requested after the date of the last invoice paid; and
- The School Bookkeeper prepared a purchase requisition for zero dollars (\$0); however, the final amount invoiced was \$14,111. The related purchase order was also issued for “one each football jerseys & other apparel” for zero dollars (\$0).

Failure to implement proper internal controls over the purchasing process could result in fraud, misappropriation, or loss of public funds.

**Recommendation:** The School District should strengthen internal controls over purchase documentation to ensure the correct personnel completes the proper documents.

**Repeat Finding:** No.

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## **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND OTHER REGULATIONS**

**Finding 3:** The School Board Should Ensure Compliance with State Laws 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 1st 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, we noted that six (6) of the School Board Members that served during the fiscal year 2019 did not file a Statement of Economic Interest

with the Mississippi Ethics Commission. Additionally, two (2) candidates, who were elected, failed to file their Statements of Economic Interest within fifteen (15) days after the deadline for qualification for that public office.

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 judgment being enrolled against the delinquent filers, as allowed by *Section 25-4-29(2)*.

**Recommendation:** We recommend each School Board Member should file the Statement of Economic Interest annually, no later than May 1<sup>st</sup> of each year, that such official holds office, regardless of the duration.

**Repeat Finding:** No.

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**Finding 4:** The School District Should Ensure Compliance with State Laws over Rehiring PERS Retirees.

**Applicable State Law:** *Section 25-11-127(4)(b), 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.”

*Section 105 of PERS Regulation 34*, provides that, “A service retiree reemployed under Section 103 may make one election per fiscal year to either (i) limit the number of days/hours worked for all covered employers to that allowed under *Section 103.1.a.* or (ii) limit the amount of compensation that will be earned from all covered employers as provided under *Section 103.1.b.* of this regulation.”

The instructions on the PERS Form 4B, provide that, “A Form 4B, Reemployment of PERS Service Retiree Certification/Acknowledgement, should be submitted each fiscal year (July 1 – June 30) of reemployment.”

Regarding compensation of School Board Members, *Section 37-6-13, Mississippi Code Annotated (1972)*, states, “...The receipt of the compensation shall not entitle any member of a school board to receive or be eligible for any state employee group insurance, retirement or other fringe benefits...”

**Finding Detail:** During the review of the School District’s PERS Form 4Bs, we noted that the School District failed to submit ten (10) employees’ PERS Form 4Bs within five (5) days, and three (3) Form 4Bs were not completed correctly. Additionally, auditors noted that two (2) Board Members received PERS matching contributions during the fiscal year of \$378 and \$158, respectively.

Failure to file the PERS Form 4Bs as required by the statute provided above could result in overpayments to a retiree and the School District being assessed penalties by PERS. Additionally, Board Members are specifically ineligible to receive retirement benefits per *Section 37-6-13*, and payment of such benefits results in misappropriation of public funds as well as non-compliance with state law.

**Recommendation:** The School District should ensure compliance with *Section 25-11-127(4)(b)* and *Section 105 of PERS Regulation 34* by properly completing and filing the Form 4Bs within five (5) days of reemployment and termination. Additionally, the School District should contact PERS regarding any amounts withheld from, and matching contributions paid for, School Board Members, so that those amounts may be refunded to the Board Members and School District.

**Repeat Finding:** No.

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**Finding 5:** The School District Should Ensure Compliance with State Laws over Delinquent Sixteenth Section Lease Payments.

**Applicable State Law:** *Section 29-3-57, Mississippi Code Annotated (1972)*, states, “It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease. The superintendent of education, with the approval of the board of education, may employ an attorney or other person to aid in collecting any such funds when in his opinion the same is necessary, and may pay reasonable compensation therefor out of funds collected, not to exceed in any case twenty-five percent (25%) of the amount actually collected. It shall be the duty of the superintendent of education to supervise generally the administration of all sixteenth section lands within his jurisdiction.”

**Finding Detail:** During our review of Calhoun County School District’s sixteenth section leases, two (2) lease payments were received between sixty-five (65) to sixty-six (66) days late and were not terminated by the School Board. No documentation of extenuating circumstances was noted during our review of the official board minutes.

Failure to terminate the leases due to late payments could results in the School District not complying with *Section 29-3-57, Mississippi Code Annotated (1972)*.

**Recommendation:** We recommend the School District should terminate leases if payments are not paid within sixty (60) days unless the School Board finds extenuating circumstances were present. Failure to terminate the leases due to late payment results in the School District not complying with *Section 29-3-57, Mississippi Code Annotated (1972)*.

**Repeat Finding:** No.

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**Finding 6:** The School District Should Ensure Compliance with State Laws over Appraisals of Sixteenth Section Properties.

**Applicable State Law:** *Section 29-3-65, Mississippi Code Annotated (1972)*, states, “One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the board of education shall appoint a competent appraiser to appraise the land and report to the board his recommendation for the fair market rental amount. The board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*.”

**Finding Detail:** During our review of Calhoun County School District, we noted that fair market value appraisals were not obtained before entering into new lease agreements for seventeen (17) out of the School District’s eighteen (18) sixteenth section land leases.

Failure to obtain fair market value appraisals, as statutorily required, could result in loss of lease revenue.

**Recommendation:** We recommend the School District obtain appraisals before entering into new lease agreements.

**Repeat Finding:** No.

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**Finding 7:** The School District Should Ensure Compliance with State Laws over Obtaining Competitive Bids.

**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... The term “competitive written bid” shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor’s letterhead or identifiable bid form and signed by authorized personnel representing the vendor. “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(d), Mississippi Code Annotated (1972)*, states, “Purchases may be made from the lowest and best bidder... If any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid. No agency or governing authority shall accept a bid based on items not included in the specifications.”

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

- One (1) instance where three (3) telephone quotes were obtained for a gas water heater costing \$8,400, however, only one (1) of the quotes was supported by written documentation;
- Two (2) instances where purchases were made from BSN Sports in the amounts of \$14,111 and \$7,297; however, the quotes attached to the purchase documentation did not include quotes from BSN Sports; and
- Three (3) instances where the quotes attached to the purchase documentation did not provide the required information, such as a date, signature, or name of the provider.

Failure to comply with state law could result in fraud, misappropriation, or loss of public funds.

**Recommendation:** We recommend the School District comply with *Section 31-7-13* by ensuring sufficient and correct quotes are obtained from vendors.

**Repeat Finding:** No.

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**Finding 8:** The School District Should Ensure Compliance with State Laws over School Depositories.

**Applicable State Law:** *Section 37-7-333, Mississippi Code Annotated (1972)*, states, “All such allotments or funds shall be placed in the depository or depositories selected by the school board in the same manner as provided in *Section 27-105-305* for the selection of county depositories. Provided, however, the annual notice to be given by the school board to financial institutions may be given by the school board at any regular meeting subsequent to the board’s regular December meeting but prior to the regular May meeting. The bids of financial institutions for the privilege of keeping school funds may be received by the school board at some subsequent meeting, but no later than the regular June meeting; and the selection by the school board of the depository or depositories shall be effective on July 1 of each year. School boards shall advertise and accept bids for depositories, no less than once every three (3) years, when such board determines that it can obtain a more favorable rate of interest and less administrative processing. Such depository shall place on deposit with the superintendent of schools the same securities as required in *Section 27-105-315*.”

**Finding Detail:** During our review of Calhoun County School District's board approved depositories, we noted Renasant Bank was the only bank selected as the approved depository. However, auditors noted that monies are maintained at two (2) additional banks, BancorpSouth Bank, and Regions Bank.

Failure to maintain all school district funds in a board-approved depository could lead to loss of public funds and results in non-compliance with *Section 37-7-333*.

**Recommendation:** We recommend the School District strengthen controls to ensure that funds are only deposited into board approved depositories.

**Repeat Finding:** No.

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**Finding 9:** The School District Should Ensure Compliance with State Laws over 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*, 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 the monthly financial reports presented to the Calhoun County School District Board Members, we noted that three (3) of fifteen (15) bank accounts' reconciliations were not given to the School Board Members for the fiscal year.

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 Superintendent strengthen controls to ensure all required financial reports are presented to the School Board at each scheduled board meeting.

**Repeat Finding:** No.

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**Finding 10:** The School District Should Ensure Compliance with State Laws over Budgeting.

**Applicable State Law:** *Section 37-61-19, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendents of schools and school board of all school districts to limit the expenditure of school funds during



the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within the fund.”

**Finding Detail:** During our review of the final amended budget for Calhoun County School District for the fiscal year 2018, we noted the MAEP Capital Improvement Bonds Debt Retirement Fund expenditures exceeded resources available from their budgeted amount totaling \$638. Additionally, the School Recognition Program Fund and the Unemployment Compensation Revolving Fund were unbudgeted for the audit year but had expenditures totaling \$117,541 and \$4,415, respectively.

Failure of the School District to ensure there are available resources for all expenditures could result in deficit fund balances.

**Recommendation:** We recommend the School District comply with *Section 37-61-19* by ensuring all funds have available resources before expenditures are approved.

**Repeat Finding:** No.

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**Finding 11:** The School District Should Ensure Compliance with the *Children’s Internet Protection Act*.

**Applicable Law:** The *Children’s Internet Protection Act* requires schools to implement “technology protection measures” to block or filter internet access to content that is obscene, child pornography, or harmful to minors. Schools must also monitor the online activities of minors and provide for the education of minors about appropriate online behavior.

**Finding Detail:** During our test work, we noted that the School District currently relies solely on the internet content filter administered by its internet service provider. At the time of our testing, the service provider’s content filter failed to block access to inappropriate content.

Failure to ensure that inappropriate online content was effectively blocked or filtered resulted in non-compliance with the *Children’s Internet Protection Act*.

**Recommendation:** We recommend the School Board should consider the implementation of its own “technology protection measures” as described by the *Children’s Internet Protection Act* to ensure that inappropriate internet content and content that could be considered harmful to minors is effectively blocked and that the internet activity of minors may be effectively monitored pursuant to the requirements of *47 U.S.C. 254(h)(5)(B)*. The School District should implement controls to ensure that internet content filters are working effectively and detect failures or disruptions in filtering promptly.

**Repeat Finding:** No.

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**End of Report**