

Coffeeville School District

# MISSISSIPPI

## 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**  
Deputy State Auditor  
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Director, *Compliance Audit Division*



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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**Shad White**  
**AUDITOR**

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

Coffeeville School Board  
96 Mississippi Street  
Coffeeville, Mississippi 38922

Dear Members of the Coffeeville School Board:

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

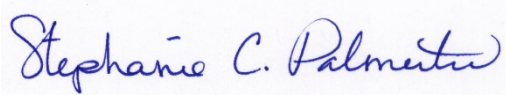
1. Strengthen Internal Controls and Ensure Compliance with State Law over the Superintendent's Contract;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval;
4. Strengthen Internal Controls over Professional Service Contracts;
5. Strengthen Internal Controls over Expense Reimbursements;
6. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
7. Strengthen Internal Controls over Finance and Payroll Departments;
8. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
9. Strengthen Internal Controls and Ensure Compliance with State Law over Purchasing Documents and Invoice Payments;
10. Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Deposits, Payments, Appraisals, and Taxes;
11. Strengthen Internal Controls and Ensure Compliance with State Law over Board Minutes;
12. Ensure Compliance with State Law over Financial Reports;
13. Ensure Compliance with State Law over Depository Approval;
14. Ensure Compliance with State Law over Public Depositor's Annual Report;
15. Ensure Compliance with State Law over Certified Employees' Salaries and Background Checks;
16. Ensure Compliance with State Law over Ad Valorem Advertisement and Escrow;
17. Ensure Compliance with State Law over Budgeted Expenditures;
18. Ensure Compliance with State Law over Administrative Costs;
19. Ensure Compliance with State Law over Statement of Economic Interest;
20. Ensure Compliance with State Law over Sixteenth Section Educable Child Lists;
21. Ensure Compliance with State Law over Surety Bonds; and
22. Ensure Compliance with State Law over Board Meeting Attendance.

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 Coffeeville School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,



STEPHANIE PALMERTREE, CPA, CGMA  
Deputy State Auditor  
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Coffeeville School District for the year ended *June 30, 2019*.

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 *material weaknesses*. These matters are noted under the heading **MATERIAL WEAKNESSES**. We identified certain deficiencies in internal control over financial reporting that we consider to be *significant deficiencies*. These matters are noted under the heading **SIGNIFICANT DEFICIENCIES**. We also identified other deficiencies that we have noted under the heading **OTHER CONTROL DEFICIENCIES**.

We noted certain instances of noncompliance with state laws that require the attention of management. These matters are noted under the headings **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**. The Auditor's Office has also made a recommendation for management's consideration that it is not in violation of state law.

In addition, we noted a recommendation for consideration by the Coffeeville School Board. This matter is noted under the heading of **OTHER RECOMMENDATIONS BY THE OFFICE OF THE STATE AUDITOR**.

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## **MATERIAL WEAKNESSES:**

**Finding 1:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over the Superintendent's Contract.

**Internal Control Deficiency:** Management is responsible for safeguarding the assets of the District. The School Board is responsible for ensuring increases in salaries are approved in the Board minutes with a majority vote and spread upon its minutes.

**Applicable State Law:** *Section 37-9-37, Mississippi Code Annotated (1972)*, states, "The amount of salary to be paid any superintendent, principal, or licensed employee shall be fixed by the school board, provided that the requirements of Chapter 19 of this title are met as to superintendents, principals, and licensed employees paid in whole or in part from minimum education program funds."

**Finding Detail:** During the review of the Superintendent's contract, the auditor noted on January 3, 2017 the Board approved the Superintendent's annual salary for three years totaling **\$98,000**; however, the Superintendent was paid **\$100,940** for fiscal year 2019. Therefore, the Superintendent was overpaid **\$2,940** for the fiscal year 2019.

Failure to ensure the Board approved and spread upon its minute changes in the Superintendent's contract/salary resulted in an overpayment.

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls and ensure compliance by assuring the Superintendent is paid according to the Board approved contract.

**District's Response:** After an investigation, it was concluded that the superintendent received an evaluation in May 2018 in Executive Session receiving all satisfactory marks. It was decided within the session to provide a 3% raise to the superintendent beginning the 2018-2019 school year. All Coffeeville School District employees receive an increase annually. However, the superintendent has only received a one-time increase since arriving to the District on January 3, 2017. In the future, the executive session minutes will be kept by the Board Secretary then given to the District administrative assistant and will reflect all decisions and actions taken in executive session.

**Auditor's Note:** The minutes for the Board meeting held on May 29, 2018, reference the Board going into Executive Session to discuss the Superintendent's evaluation; however, there is no mention of a 3% raise after the Board concluded the executive session. Based upon observation of the Superintendent's employee file, there was no updated contract that reflects the 3% raise; therefore, the Superintendent should have only received **\$98,000** a year.

**Repeat Finding:** No.

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**Finding 2:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations.

**Internal Control Deficiency:** Management is responsible for ensuring that the assets of the District are safeguarded and transactions are properly documented in the District's financial records. A critical aspect of internal controls is to ensure outstanding checks and deposits are balanced per the District's bank statements and reconciled against the amount of cash listed on the District's general ledger. The reconciliation process enables the Business Office to make adjusting journal entries to correct any mistakes or unrecorded items in the District's financial records.

*Mississippi Department of Education Policy Manual, Chapter 71, Rule 71.3, "Required Monthly Reports to be Furnished" to Local School Board states, "...Presentation of reconciled bank statements should be made at the next regular board meeting after the bank statements are reconciled to the District's general ledger cash balances in a timely and accurate manner."*

**Applicable State Law:** *Section 39-5-9, Mississippi Code Annotated (1972)* and the Mississippi Department of Archives and History states that financial records should be retained five (5) years following submissions of all final financial reports on federal grant projects providing audit has been releases one (1) year. All financial records of school districts and local schools includes purchase orders, material invoices, receivable reports, receipt copies, etc.

**Finding Detail:** During the testing of the School District's bank reconciliations, the auditor noted the following at the completion of fieldwork on December 4, 2019:

- None of the District's bank accounts were properly reconciled to the general ledger's cash balance. There was a difference totaling **(\$124,400)**:
  - General Operating Account – **(\$215,246)**
  - Series 1995A Note Fund – **(\$1,029)**
  - Accounts Payable Clearing – **\$161,239**

- Payroll Clearing – **\$188,607**
- Activity Fund Account – **(\$8,140)**
- Club Funds – **(\$1,031)**

- The District did not have on-site copies of the bank statements or bank reconciliations for June 30, 2019.

Failure to record all transactions in the general ledger and properly reconcile bank statements could result in errors, misstatement of the District's financial statements, or fraud occurring without being detected in a timely manner.

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls and ensure compliance by implementing policies and procedures to ensure all bank statements are reconciled timely and properly to the District's general ledger. We recommend management reconcile bank accounts monthly to the general ledger by each fund in order to effectively and timely account for any variance from the District's book balances and comply with the District's policy.

**District's Response:** After approximately six board meetings, I informed Lancaster that including the claims docket only in the board packet would not suffice. For ten years prior, Coffeeville School District had not been reconciling bank statements nor providing any fiscal documents besides the claims docket in the board packet.

The previous business manager stated Coffeeville School District was not required to reconcile bank statements. After months of battling back and forth, they resigned September 2017. After months of failed replacements, we finally hired in January 2019 a new business manager. They had not worked in a school setting but held an Accounting degree as MDE requires.

The responsibility of reconciling bank statements is that of the hired Business Manager. There were times she missed providing this documentation for the superintendent to include in the board packet. She would be very argumentative when given the directive that bank statements must be reconciled monthly and placed within the board packet and filed chronologically in a binder for monitoring purposes.

As superintendent, I did not practice going back and checking her calculations. They were aware of the Board meeting dates and knew their responsibility was to provide fiscal reports and bank reconciliations each month.

I am; however, attaching the August 2019 board packet, which is inclusive of Bank reconciliations ending June 30, 2019, which solidifies she submitted documentation at her own pace and leisure.

It was at this time, we began looking for a replacement. Hiring a certified accountant in Coffeeville is a difficult task.

Ultimately, the business manager is responsible for housing hard copies of the bank statements. It was later discovered the employee failed to organize and keep good records.

As the superintendent, the monitoring of the business manager's responsibility to organize, calculate and submit required documents in a timely manner is now of top priority.

**Repeat Finding:** No.

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**Finding 3:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval.

**Internal Control Deficiency:** The Board of Education establishes priorities for the financial management of the District, reviews and approves all presented budgets, and assures expenditures for District funds are within the legal requirements of the approved budget.

**Applicable State Law:** *Section 37-61-9, Mississippi Code Annotated (1972)*, states, “It shall be the duty of the superintendent of schools and the school boards 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 form a fund in excess of the resources available within that fund...”

**Finding Detail:** During the review of the School District’s budget expenditures, the auditor noted the 2018-2019 amended budget included the following eight funds reflected a negative fund balance at year end:

- Summer Feeding FY 2018 (2128) – **(\$4,499)**
- Consolidated Adm. Cost (2290) – **(\$67,155)**
- Rural & Low Income School (2311) – **(\$8,946)**
- Title II Imp Teacher Quality (2511) – **(\$11,648)**
- Title IV (2811) – **(\$13,255)**
- School Health Nurse Grant (2917) – **(\$4,334)**
- Upward Bound (2970) – **(\$32,740)**
- Activity Agency Funds (7321) – **(\$8,417)**

The presentation of negative fund balances in the budget presented to the Board was likely a lack of attention to appropriate budgeting practices. None of the actual fund balances were negative at June 30, 2019; however, the approval of the fund budgets with ending deficit fund balances could result in the violation of state law.

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls and ensure compliance by implementing sound budgeting practices that will prevent projected negative fund balances from being presented to the school board. A thorough review of such budgets should be made prior to being presented to the Board for approval.

**District’s Response:** The current Superintendent entered Coffeeville School District on January 3, 2017. She notified the Office of the State Auditor that the bank statements were not being reconciled and the budget did not reflect a fund balance in quite some time. All funds are supervised by a hired supervisor such as Nutrition Director, Upward Bound Director, Federal Programs Director, and Business Manager. It is the responsibility of the Superintendent to oversee these accounts. During the fiscal year, reports were being given to the Superintendent which did not match what was in the bank due to the failure of the District reconciling bank statements for more than a decade. Therefore, a new Business Manager was brought in and trained. We were then able to reconcile bank statements as the law requires. We have online banking and I was unable to access anything before July 8, 2019, so I have attached the bank accounts I was able to access. During the October 2019 Compliance Audit we were cited for not reconciling bank statements and the response stated we are not reconciling bank statements as the law requires. I have included the original citation as well as the bank information. I was able to secure.

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**Finding 4:** The School District Should Strengthen Internal Controls over Professional Service Contracts Terms and Agreements.

**Internal Control Deficiency:** *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission* specifies that a satisfactory control environment is only effective when there



are adequate control activities in place. Management is responsible for properly safeguarding the assets of the School District and ensuring the terms of professional service contracts are met and adhered to at all times.

**Finding Detail:** During the review of the School District's professional service contracts, Board minutes, and claims docket, the auditor noted a two – year contract with a vendor Academic Change Associates, which began on November 14, 2017. The Board approved the professional services; however, the District could not provide evidence of an executed contract. The vendor earned **\$42,000** over the prior of two years. The District did not issue a 1099 for wages earned nor were the required documents obtained, when this vendor was created. Upon the completion of OSA's compliance audit, Academic Change Associates was incorporated on December 3, 2019.

Failure to properly establish new vendors within the accounts payable system could result in fraud, loss or misappropriation of public funds.

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls to ensure that prospective vendors complete/provide the necessary information when creating a new vendor. The School Board should also ensure that all vendors provide the correct information, the correct documented completed, and the contracts approved and documented before payments are issued.

**District's Response:** The former Assistant Superintendent was responsible for the Board minutes in 2017. It was noted in the May 2017 MDE Federal Programs Audit that Coffeeville School District was more than 10 months behind on Board minutes. This is why the hiring of the vendor did not appear in the minutes until November 14, 2017.

The Called Board Meeting on August 29, 2017 verifies the superintendent's statement of the former Assistant Superintendent being told to request to the Board additional administrative coaching days. However, she would then fail to put it in the Board minutes. After investigating the over \$80,000 amount Coffeeville School District was paying for contracted consultant fees in the 2016-2017 school year, the former business manager, former Federal Programs Director and the superintendent decided to discontinue partnering with Kirkland, Bailey, Greene and Hustle University. This decision was also reached because the vendors were not rendering the services agreed upon. This can be verified by still employed former teacher and current building principal. Bailey, Greene, Kirkland, and Hustle were paid prior to services being rendered as noted on the date of the attached purchase order. These vendors did not render the agreed upon days of service. The District was failing and needed help. The District Administrative Assistant pulled the Greene, Bailey, and Hustle University Folders and there were no agreements in Bailey or Greene and Kirkland had been destroyed or removed. Hustle received \$30,000 in one year for less than four days of services. The District Administrative Assistant was unable to pull up documentation for Kirkland in Marathon due to the previous claims docket Clerk deleting files prior to retirement. A new vendor was chosen to reduce cost and increase achievement and to ensure the staff received services. After an investigation by the business manager, it was concluded that no vender in the history of Coffeeville School District had received a 1099. The former assistant superintendent was given the directive to add contractual days to the Board agenda when additional days were needed. Some of the days appeared on the agenda and the minutes while others did not. We remained with this vendor over the years because services were being rendered and progress was being made. We grew to a strong C District with the assistance of this vendor. After investigating the past several years of Board minutes, there were not any cost amounts listed on the agenda or in the minutes along with the partnering vendors. In the future, the District administrative assistant will ensure that all new and current vendors will receive a 1099 and W-9. We have met as a District office to strengthen internal controls and will work to backlog a 1099 form for current and previous vendors. In the future, the Board minutes and agenda will reflect renewal approval and the cost of the services and number of days of all vendors before services may be rendered and/ or continued. As with many other files, any undocumented vendor visits/invoices were removed or destroyed for some unforeseen reason.

**The superintendent entered into the contract on July 2017 prior to permission being granted by the Board:**

During the Budget Hearing on June 13, 2017, the Board requested that the current fees being paid to Kirkland, Greene, Bailey, and Hustle be reduced. It was decided that we would include \$15,000 on a fund line for consultants each year going forward. Therefore, the former Business Manager allotted \$15,000 for consultant services. A former employee, entered the \$15,000 allotment on a fund line on June 30, 2017. It is for this reason, the contract was entered on July 5, 2017. The Board granted permission during the budget hearing. There is an entry on the Board agenda which states this and not to exceed \$15,000 which is why in August 29, 2017 Board agenda additional consulting days were requested. Services were rendered for an entire week therefore a \$7,500 check was earned.

**Contract was not spread upon he minutes of the Board:**

It was noted that the former assistant superintendent was responsible for minutes and failed to immediately record this information in the minutes. We were cited for being more than 10 months behind on minutes.

In addition, the contract was submitted to the assistant superintendent to include in the Board packet. Since that time, the Board was aware that this former employee took all documents with her as well as the hard copies of the Board packets. Therefore, ACA did not appear in the minutes until November 14, 2017. The Board was not surprised because we discussed this during the June 12, 2017, budget hearing as we prepared for the upcoming year. Also look on these minutes to see that the August 29, 2017, minutes were approved yet they were not put into the minute book. This solidifies she was not meeting the expectation. Because we had used so many days early on, we requested additional consultant days at the August 29, 2017, special called Board meeting. This solidified the Board was fully aware we were working with a consultant

Additional days were requested in August because we had incurred over half of the amount approved by the Board at the June 13, 2017, Board hearing. The request for additional consulting days on August 29, 2017, special called meeting solidifies the Board was aware and informed of this agreement.

The consultant did not work in the District on July 25, 2017, the consultant worked on July 28, 2017 and received a 1,500.00 payment in August 2017 as reflected on the claims dockets.

The June 24, 2019, date has been confirmed by the admin assistant. Please see her statement verifying she has always received an invoice for services and states that all invoices were attached to the documents she pulled for viewing. The "special provisions" represents when additional days are requested a standard fee was rendered.

On June 12, 2018, at the Budget hearing we again discussed including consultant within the budget and the agenda reflects that the District has permission to again gain bids for professional coaching and professional development. It was during this meeting it was discussed that we would continue forward with ACA.

Going forward, all renewal contracts will specify which consultant and spread upon the minutes more specifically. We were getting exceptional results as well as the new principals requesting additional assistance is the rationale of continuing to receive services.

However, the Board was fully aware of the District downsizing from four (4) consultant to one (1) consultant. The Mississippi Public School's Accountability Standards 2019 references the superintendent to oversee management of the District and the School Board assessing results. Entering this contract was the decision to increase academic achievement (management) and a result of the Board's request to decrease the amount of money allocated to consultants in the past each year. It has been common practice for this District to work with consultants to date. The District was incurring \$50,000 a year in consultant fees in which services were not being rendered as opposed to \$42,000 over a span of three years which is aligned with the \$15,000 a year the Board initially requested and approved in the June 13, 2017, budget hearing.

It was concluded that Coffeeville School District failed to provide any vendor to date a 1099. This is the responsibility of the business manager and accounts payable clerk to ensure all needed documents are in place prior to payment. Going

forward, we will ensure that all vendors receive a 1099 and those who have already received payment will receive a 1099 in order to properly amend their taxes.

**Repeat Finding:** No.

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**Finding 5:** The School District Should Strengthen Internal Controls over the Deposit of Expense Reimbursements.

**Internal Control Deficiency:** Management is responsible for properly safeguarding the assets of the District and ensuring all funds received in the Business Office are properly receipted, deposited within one (1) business day, and not stored within the District's safe overnight on its premises.

*School Board Policy, Section D, Fiscal Management, DJD – Expense Reimbursements*, states, "Accounting for any travel advance shall be made within five (5) working days after the end of the month in which the official travel was made. Any money not used for travel related expenses shall be repaid to the District at this time..."

**Finding Detail:** During the testing of the School District's student travel expenses, the auditor noted the Director of Upward Bound Program was issued money for student related travel expenses for meals and entertainment, on July 2019. After this trip there was unused money totaling **\$5,066.63**; however, this money was not repaid to the District November 11, 2019. Per the Director of Upward Bound Program, this unused money was stored in the Director's fireproof filing cabinet.

Failure to repay unused money within five days of the trip and holding money in a filing cabinet could result in fraud, abuse, waste, and misappropriation of public funds.

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls by implanting sound policies and procedures to ensure all unused money is submitted to the District within five days after the trip. Additionally, management should implement policies and procedures to ensure money is not stored on the District's premises overnight.

**District's Response:** After an investigation, it was concluded that best practices were not implemented in providing checks for the Director of Upward Bound. Going forward, it was suggested by the Office of the State Auditor that the Upward Bound Director could be provided a procurement card to safeguard against carrying such large amounts of cash. In the future, all refunds will be receipted in a timely manner.

**Repeat Finding:** No.

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## SIGNIFICANT DEFICIENCIES

**Finding 6:** The School District Should Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits.

**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 to be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

**Finding Detail:** During the testing of the School District's activity fund receipts and deposits, the auditor noted the following out of 17 tested:

- One deposit could not be traced back to the transmittal sheet;
- Two game deposits were made five to 25 business days after monies were receipted; and
- There was a net surplus of **\$110** between deposits and ticket sales for all games.

Inadequate internal controls related to activity funds revenue collections, proper receipting, and depositing could result in a loss of assets and improper revenue recognition.

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls by implementing adequate policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

**District's Response:** After an investigation by the business manager, it was concluded that building administrative assistants failed to consistently keep game transmittal sheets on file. Going forward, the Business Manager will work with building assistants to ensure transmittal sheets are submitted in a timely manner and deposits are verified with her and matched prior to deposits.

**Repeat Finding:** No.

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**Finding 7:** The School District Should Strengthen Internal Controls over Its Finance and Payroll Departments.

**Internal Control Deficiency:** An adequate system of internal controls requires adequate segregation of duties for all departments within the School District.

**Finding Detail:** During the review of the School District's internal controls, the auditor noted that controls need strengthening in the following departments:

- Financial Department – The Business Manager handles and records cash, enters deposits and receipts into the general ledger, signs checks, performs bank reconciliations, and reviews and makes adjustments to the general ledger; and
- Payroll Department – The Business Manager enters the employees' payroll, prepares monthly reports, and reconciles the payroll clearing bank statement.

Failure to implement proper internal controls, could result in errors or misappropriations of the District's monies and those errors or misappropriations not being detected.

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls by implementing proper segregation of duties within the Finance and Payroll Departments to ensure that the same employee is not performing all tasks within the departments without any oversight.

**District's Response:** Coffeeville School District was without a Business Manager, Payroll Clerk, and District Administrative Assistant during the Fiscal year 2019 school year. Coffeeville School District is located in an area of low recruitment and retention. It is sometimes difficult to hire qualified staff. Prior to January 2019, the Business Managers did not hold a certified accounting degree. This increased the probability of errors. Therefore, the newly hired certified accountant was tasked with many fiscal roles due to lack of manpower and qualified employee candidates. Currently, we have strengthened internal controls in the District office by ensuring that the building administrative assistants handle and

record cash, the District administrative assistant enters deposits and receipts into the general ledger and the Business Manager does payroll, reconciles bank statements, signs checks and runs reports. As we prepare for the fiscal year 2021 budget, we will look to see if hiring a part-time fiscal assistant is feasible.

**Repeat Finding:** No.

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## **OTHER DEFICIENCIES AND NONCOMPLIANCE WITH STATE LAW**

**Finding 8:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements.

**Internal Control Deficiency:** Management is responsible for properly safeguarding the assets of the District and ensuring all reimbursements are approved, documented, and allowed.

*School Board Policy, Section D, Fiscal Management, DJD – Expense Reimbursements*, states, “...For each mile actually and necessarily traveled in the employee’s automobile or other private motor vehicle 30 cents per mile. Employees are expected by the board to car pool where two (2) or more employees are traveling to the same destination. In such an event only one (1) travel expense allowance at the authorized rate per mile shall be allowed for any one (1) trip. Employees will be reimbursed for mileage only if a district vehicle is not available...”

**Applicable State Law:** *Section 25-3-41(4), Mississippi Code Annotated (1972)*, states, “In addition to the foregoing, a public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the travel, subject to limitations placed on meals for intrastate and interstate official travel by the Department of Finance and Administration, provided, that the Legislative Budget Office shall place any limitations for expenditures made on matters under the jurisdiction of the Legislature. The Department of Finance and Administration shall set a maximum daily expenditure annually for such meals and shall notify officers and employees of changes to these allowances immediately upon approval of the changes.”

*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 the testing of the School District’s travel reimbursements, the auditor noted the following exceptions:

- The District’s employees were not utilizing the District’s vehicles when available, as stated in the Board approved travel policy;
- An employee claimed six per diem meals for the same three – day period;
- An employee was reimbursed for a seven – night stay in a hotel; however, the conference was only for five days;
- An employee was reimbursed in excess of **\$766** for a mileage reimbursement;
- Four travel vouchers were not completed correctly;
- Six manual checks were issued with no documentation or receipts for travel advancements;
- Eighteen travel vouchers did not include the conference documentation;
- Twenty-eight instances of Board-approved travel were not spread upon its minutes; and

- State and local taxes were paid on hotel reservations for three hotel reservations totaling \$756.

Lack of adequate controls could result in the fraud, loss, or misappropriation of public funds.

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures surrounding reimbursements for professional travel expenses. Also, the School Board should refrain from paying state and local taxes.

**District's Response:** Coffeeville School District employees are constantly informed that the vehicle is available for trainings. The attached vehicle request forms verify the opportunities to use the vehicle when requested. All requests are approved unless the vehicles are already signed out. Coffeeville School District has a new Board adopted policy which states that employees will not receive mileage when Coffeeville transportation is available. The internal controls in Coffeeville School District have since this time been strengthened to ensure that no employee will be overpaid for mileage. The business manager spoke at a recent faculty meeting reminding employees to fill out all documents in their entirety. All incomplete documents are not returned to the schools and/or employee requesting completion. We are closely monitoring professional development opportunities for the staff and will submit them for Board approval accordingly.

After an investigation, it was concluded that employees were traveling to conferences and reporting for hotel stays without stopping by the District office to pick up the District's tax exempt letter. Travel for professional development trainings will be closely monitored. The Superintendent, District Administrative Assistant and Building Principals will ensure that all employees receive a tax exemption letter prior to attending any professional development training that require an overnight stay. Coffeeville School District will only reimburse or submit payment that includes the city, county, etc. tax amounts.

**Repeat Finding:** No.

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**Finding 9:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Purchasing Documents and Invoice Payments.

**Internal Control Deficiency:** *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Management is responsible for properly safeguarding the assets of the School District and ensuring the all purchasing laws met and adhered to at all times. Also, the Accounts Payable Department should ensure all invoices received for vendor payments do not exceed the purchase order amounts.

**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."

*Section 37-9-14(7), Mississippi Code Annotated (1972)*, states, "The superintendent of schools shall maintain as a record in his office a book or a computer printout in which he shall enter all demands, claims and accounts paid from any funds of the school District. The record shall be in a form to be prescribed by the State Auditor. All demands, claims and accounts filed shall be preserved by the superintendent of schools as a public record for a period of five (5) years."

*School Board Policy, Section D, Fiscal Management, DJE-Purchasing and the Accounting Manual of Mississippi Public Schools*, requires the District to utilize within its purchase system requisitions, purchase orders, and receiving reports, which should be logged and maintained in its business office.

*School Board Policy, Section D, Fiscal Management, DJEG-Purchasing and the Accounting Manual of Mississippi Public Schools*, states, “Purchase order are documents issued by the school district to vendors ordering the items requested by departments/schools or teachers. A purchase order is the device by which management places an order. Accepting a purchase order by a vendor affects a legally binding contract. The purchase order gives the vendor authority to ship the required items and binds the district for payment...”

**Finding Detail:** During the review of the School District’s purchasing procedures, the auditor noted the following exceptions:

- One invoice was paid 84 days after being received in the accounts payable department;
- One invoice was dated prior to the purchase date;
- Two check payments were in excess of the purchase orders totaling **\$195**:
  - Check written to School Book Supply Company of Mississippi for **\$6,495**, exceeded the purchase order amount by **\$42**.
  - Check written to Dr. Tilda Neal for **\$11,058** exceeded the purchase order amount by **\$153**;
- One invoice for equipment repair was **\$4,679** greater than the repair quote;
- One purchase was missing the purchase requisition totaling **\$16,869**; and
- Six purchases were missing purchase requisitions, purchase orders, and invoices totaling **\$48,589**.

Failure to adhere to state law and regulations, and Board policy resulted in the noncompliance of expenses. Inadequate controls over maintaining claim documentation and paying more for invoices than approved purchase order could result in fraud, misappropriation, or loss of public funds.

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls and ensure compliance over all claims by maintaining all required documents within the District, paying invoices according to the purchase order amounts within 45 days of being received in the District.

**District’s Response #1:** Coffeeville School District Former Business Manager stopped in to pick up a form from the current business manager. Prior to her departure, she stated to me that I need to be looking at duplicate invoices on claims docket at different times. Later, a Financial Advisor noted that it was strange that each month the former Payroll Clerk would delete previously approved checks in the system. Therefore, this finding will require further investigation from a District standpoint.

The former Federal Programs Director typically ordered from the School Book Supply Company of Mississippi. There were many unauthorized amendments documented in Mississippi Department of Education throughout the years. The former Business Manager removed files and documents when she resigned. This is why we failed the Mississippi Department of Education federal program audit in 2018 because she had taken all the files.

After an initial investigation by the District administrative assistant, it was concluded that the procurement packets for Central Access, School Book Supply Company of Mississippi, Huron Smith Oil, Edmentum, Synergetics, and Eddie Fly had been destroyed or removed from the filing cabinets. Going forward, all expenditures will be accounted for and in a folder with the approved requisition, purchase order, invoice, bids, and quotes.

**Repeat Finding:** No.

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**Finding 10:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Deposits, Payments, Appraisals, and Taxes.

**Internal Control Deficiency:** The *Mississippi Public School Accountability Standards*, states, “All receipts and checks shall be pre-numbered ... All monies shall be receipted to the school district utilizing pre-numbered receipts (2 parts) and be maintained in a bound book or ledger. Under no circumstances shall monies be deposited to any bank account without a proper receipting of such monies. Any documentation necessary to support the receipts shall be maintained on files. All receipts shall include date, received from, amount, account classification and signature of receiver, at a minimum.”

**Applicable State Law:** *Section 29-3-57, Mississippi Code Annotated (1972)*, states, “The superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section lands; likewise, he shall keep a correct current docket upon the existing leases or any extensions thereof as to the amounts and time of payment of rentals provided for by such lease. 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.”

*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*.”

*Section 29-3-71, Mississippi Code Annotated (1972)*, states, “Sixteenth section lands reserved for the use of school, 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, on 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 state, “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 auditor noted the following exceptions out of 20 tested:

- One lease payment was deposited ten business days after receipt.
- Two lease payments were 73 to 95 days late; however, the lease agreements were not cancelled;
- There were no appraisals noted in the files for ten lease agreements prior to entering into new lease agreements; and
- Taxes were not current on two lease agreements; however, the lease agreements were not terminated.

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

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls and ensure compliance by assuring lease payments are deposited daily and made within 60 days, taxes are current, and an appraiser is appointed one year prior to the rental of sixteenth section land, as required by laws and regulations.

**District’s Response:** Coffeeville School District lost the former 16<sup>th</sup> Section clerk in December 2018. We were unaware of any late payments. The current 16<sup>th</sup> section clerk has not entered into any new leases of 16<sup>th</sup> section land. Nonetheless, the current 16<sup>th</sup> section clerk is receiving ongoing training from Grenada School District. She will inform the superintendent of any lease payments 30 days past due as well as ensure all taxes are current on all leases before entering a new agreement. We are currently working to identify fall Coffeeville School District 16<sup>th</sup> section land and the lease



owners. Going forward, we will ensure lease payments are made on time by providing a courtesy call prior to monthly payment being due. All future lease payments will be deposited in a timely manner.

**Repeat Finding:** No.

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**Finding 11:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Board Minutes.

**Internal Control Deficiency:** Management is responsible for ensuring the assets of the School District are safeguarded, and transactions are properly documented and recorded in the School District's Board minutes. A critical aspect of internal controls includes maintaining all supporting documentation of the Board's actions during its meetings.

**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."

*Section 25-41-7(3), Mississippi Code Annotated (1972)*, states, "An executive session shall be limited to matters allowed to be exempted from open meetings by subsection (4) of this section. The reason for holding an executive session shall be stated in an open meeting, and the reason so stated shall be recorded in the minutes of the meeting. Nothing in this section shall be construed to require that any meeting be closed to the public, nor shall any executive session be used to circumvent or to defeat the purpose of this chapter."

**Finding Detail:** During the review of the School District's Board minutes, the auditor noted the following exceptions:

- Supporting documentation was not maintained in the Board's official minutes; and
- The School Board goes into Executive Session for topics other those allowed by *Section 25-41-7(3)*.

Inadequate internal controls surrounding the District's Board minutes could result in state laws and regulations being circumvented. Also failure to maintain all supporting documentation and going into Executive Sessions for topics not allowed by state law of the Board's actions results in the lack of transparency.

**Recommendation:** We recommend the Coffeeville School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure all supporting documentation is maintained within its official minutes of the Board's actions. Additionally, we recommend the School Board only goes into executive session to discuss topics allowed by state law.

**District's Response:** After an investigation, it was concluded that minute documentation is provided for each Board member in the monthly Board packet. A hard copy of the mailed Board packet is now housed in the records room in the District office. These folders are available upon request. Going forward, the Superintendent will provide the District's administrative assistant a copy of the Board packet in a folder that is dated and will be stored in the file cabinet to serve as an appendix.

Coffeeville School District's Superintendent will ensure that only the 12 reasons for entering into executive session are listed on the Board's agendas. Our Board policy states that citizens may complete a Board Agenda Request Form to address the Coffeeville School District Board of Trustees as a whole. Citizens requested to address the Board of Trustees

on the following topics: student releases, land appraisals, and land sells thereby being heard in executive session. Going forward, executive session topics will be closely monitored to ensure only the twelve allowed topics are discussed. Going forward, all budget concerns or information will be discussed in open session meetings.

**Auditor's Note:** Various supporting documents were never presented to the auditors upon request.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW:

**Finding 12:** The School District Should Ensure Compliance with State Law over 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."

*Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board* states that, "at minimum, the Superintendent should provide reconciled bank statements, a statement of revenues and expenditures, current budget status, a cash flow statement by month, and a combined balance sheet or current fund equity balances."

**Finding Detail:** During the review of the School District's Board minutes, the auditor noted the monthly financial reports were not presented to the School Board.

Failure to comply with the financial reporting requirements established by the State Board of Education constitutes a violation of the *Mississippi Public School Accountability Standards*. Additionally, presenting false or inaccurate information to the Board could lead to the School Board not being appropriately and timely informed of the District's financial status, which would influence decisions made by the Board concerning claims.

**Recommendation:** We recommend the Coffeeville School District ensure compliance by assuring an accurate and complete set of financial reports are submitted to the Board each month, as required by state law.

**District's Response:** The Business Manager notified the Superintendent of this finding prior to sitting down with the Office of the State Auditor on November 17, 2019. The Superintendent submitted a sample of the Board agenda to the Office of the State Auditor representative which included the listings of reconciled banks statements, budget status, revenues and expenditures, cash flow and fund balance. This information has been provided in the Board packed every month; however, it was not spelled out in the Board minutes. The Board minute state "attached fiscal reports." We have since this time begun to list each fiscal report in the Board minutes.

**Auditor's Note:** Auditors were unable to determine that the aforementioned reports were presented during the meetings due to the reports not being referred to in the minutes specifically or attached in the minutes as required by *Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3*.

**Repeat Finding:** No.

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**Finding 13:** The School District Should Ensure Compliance with State Law over Depository Approval.

**Applicable State Law:** *Section 37-7-333, Mississippi Code Annotated (1972)*, requires all public funds to be place in the depository or depositories selected by the School Board in the same manner as provided in *Section 27-105-305, Mississippi Code Annotated (1972)* for the selection of county depositories. *Section 37-7-333, Mississippi Code Annotated (1972)*, also requires the bids of the financial institutions keeping school funds be effective on July 1<sup>st</sup> of each year. Further, School Boards are allowed to advertise and accept bids for depositories, not less than once every three (3) years, when the School Board determines that I can obtain a more favorable rate of interest and less administrative processing.

**Finding Detail:** During the review of the School District's depositories, the Office of the State Auditor was unable to determine if the District's depositories had been advertised and approved by the Board from June 2015 to June 30, 2019.

Due to inadequate internal controls surrounding its depositories, the District is not in compliance.

**Recommendation:** We recommend the Coffeeville School District ensure compliance by properly advertising and accepting bids for depositories by July 1<sup>st</sup> every three years.

**District's Response:** I was unaware of the last bank depository bids when I began working in Coffeeville in January 2017. It is my assumption that the former business manager or the former accounts payable clerk would have provided a reminder. Nonetheless, we will immediately begin the process for bank depository bids. Unlike in the past, we will ensure that we will follow the directive of the Board of Trustees by moving all accounts to the bank that wins the bid.

**Repeat Finding:** No.

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**Finding 14:** The School District Should Ensure Compliance with State Law over Its Public Depositor Annual Report.

**Applicable State Law:** *Section 27-105-5(6)(b), Mississippi Code Annotated (1972)*, states, "Not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end."

**Finding Detail:** During the review of the School District's 2019 Public Depositor Annual Report, the auditor noted it was not submitted to the Mississippi State Treasurer's Office for the fiscal year 2019.

Failure to submit the Public Depositor Annual Report in a timely manner could result in the State Treasurer's Office having inaccurate records and increase the risk that the District's total deposits may not be properly collateralized.

**Recommendation:** We recommend the Coffeeville School District ensure compliance by developing controls and procedures to ensure the Public Depositor Annual Report is submitted to the State Treasurer's Office within 30 days of fiscal year, as required by state law.

**District's Response:** Coffeeville School District received notification on July 1, 2019, of an apparent filing of Public Depositor's Annual Report; however, it was with Mechanics Bank only. This confirms that the previous Business Managers were aware of this requirement. After an investigation, the Business Manager stated she was unaware that she had to file the Public Depositor's Annual Report with the State Treasury. She has since requested information from the Office of the State Auditor on how to complete this report and submit it on time in the future. The information has been received by the Business Manager and this report will be filed annually and on time in the future.

**Repeat Finding:** No.

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**Finding 15:** The School District Should Ensure Compliance with State Law over Certified Employees' Salaries and Background Checks.

**Applicable State Law:** *Section 37-9-17, Mississippi Code Annotated (1972)*, states "current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board or at such local school district prior to July 1, 2000." Ultimately, the criminal records information and registry must be kept on file for any and all new hires. Additionally, employees employed under the recommendation of a personnel supervisor may not be paid compensation in excess of their approved contract without Board approval."

*Section 37-9-33, Mississippi Code Annotated (1972) and School Board Policy CGA, Administrative Personnel Compensation Guides and Contracts*, states, "In employing and contracting with appointed superintendents, principals, and certified employees, the school board shall in all cases determine whether the amount of salary to be paid such superintendent, principal, and certified employees is in compliance with the provisions of the adequate education program. No contracts shall be entered into where the salary of a superintendent, principal, or certified employee is to be paid, in whole or in part, from adequate education program funds except where the reimbursements of said chapter as to the amount of salary are fully met." The allowance in the Mississippi Adequate Education Program for teachers' salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers' salaries as provided in this subsection."

**Finding Detail:** During the review of the School District's personnel files, the auditor noted the following exceptions out of 20 tested:

- Eight certified employees' background checks did not include fingerprinting;
- Two certified employees were underpaid totaling **\$231**;
- One certified employee was overpaid totaling **\$24**;
- One coach was overpaid **\$7,505**; and
- The Athletic Director was overpaid **\$22,951**.

**Recommendation:** We recommend the Coffeeville School District ensure compliance by assuring criminal background checks of its certified employees includes fingerprints, as required by state law. Also, the School District should ensure salary payments correspond with the employees' contracts approved by the School Board.

**District's Response #1:** After an investigation by the Business Manager and the District administrative assistant, it was concluded that fingerprint/background checks were being administered; however, the results were not being filed in the personnel folders as required. We were able to locate most of the background/fingerprint documentation. The business manager or the District Administrative Assistant gives each candidate being considered for hire a background check form to take to Coffeeville Police Department. Currently, there is a completed fingerprint/background check form on file for all employees.

**District's Response #2:** After an investigation, it was concluded that the contracts of these employees did not agree with the Board approved salaries and supplements because of weakened internal controls and possible fiscal errors. The Athletic Director returned to Coffeeville School District with thirteen (13) years of experience and an advanced degree. He is the Athletic Director and therefore receives the \$7,000 Board approved administrator supplement. He also receives a

supplement for multiple sports. The coach is the head football coach and receives the Board approved \$6,000 supplement. He also receives the head coaching supplement for Powerlifting for boys and girls, and track. After an investigation by the business manager, it was concluded that their salaries did not agree with the Board approved salary scales because their contract salaries were inclusive of their supplements. In the future, this will be separated out and all coaches will sign a supplement agreement. This will ensure that all employee contracts will match Board approved salaries.

**Auditor's Note #2:** Based upon the documentation provided and review of the minutes, the Coach and Athletic Director were still overpaid after including the additional supplements into the equation. The aforementioned amounts, are the portion of the employees' salaries that were not substantiated by statute or Board approved supplements.

**Repeat Finding:** No.

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**Finding 16:** The School District Should Ensure Compliance with State Law over Ad Valorem Advertisement and Escrow.

**Applicable State Law:** *Section 27-39-207(2)(b), Mississippi Code Annotated (1972)* provides the form and content of the "Notice of Proposed Ad Valorem Tax Effort" to include ad valorem tax increases pursuant to *Section 37-57-105, Mississippi Code Annotated (1972)*.

*Section 37-57-105(3), Mississippi Code Annotated (1972)*, states, "The aggregate receipts from ad valorem taxes levied for school district purposes, excluding collection fees, pursuant to this section and *Section 37-57-1* shall be subject to the increased limitation under *Section 37-57-107*; however, if the ad valorem tax effort in dollars requested by the school district for the fiscal year exceeds the next preceding fiscal year's ad valorem tax effort in dollars by more than four percent (4%) but not more than seven percent (7%), then the school board shall publish notice thereof once each week for at least three (3) consecutive weeks in a newspaper having general circulation in the school district involved, with the first publication thereof to be made not less than fifteen (15) days prior to the final adoption of the budget by the school board.

**Finding Detail:** During the testing of the School District's limitation of ad valorem taxes and homestead exemption reimbursements, the auditor noted the following exceptions:

- The title of the ad valorem advertisement read "Notice of a Public Hearing on Proposed Budget and Proposed Tax Levies for Fiscal Year 2018" instead of the required "Notice of Proposed Ad Valorem Tax Effort;
- The last paragraph read "All citizens" instead of "Any citizens"; and
- The District received more ad valorem taxes and homestead exemptions reimbursements than the allowed amount by *Section 37-57-107, Mississippi Code Annotated (1972)*. The excess is the result of the District not properly advertising the tax increase in the local newspapers and receiving more tax revenue from the County than the District's base amount.

Due to the calculation indicating a violation of *Section 37-57-107, Mississippi Code Annotated (1972)*, the excess collected during the 2018-2019 year totaling **\$49,496** should be restricted for one year.

**Recommendation:** We recommend the Coffeeville School District ensure compliance by implementing policies and procedures to assure their ad valorem advertisements is printed as required and escrow the excess noted, totaling **\$49,496**.

**District's Response:** We received this citation during the October 2019 Compliance Audit visit, and we have since changed the terminology of "All Citizens" to "Any Citizens". I have included a copy of the May 2020 Tax Effort Announcement. In addition, during the years of 2017 to present, Coffeeville School District has only requested a 4% increase which according to the information we gathered (House Bill 44) only a two (2) week notification is required

which is what we adhered to. We have not asked for a 7% tax increase which would have required us to advertise three (3) weeks. We will continue to adhere to all regulations.

**Repeat Finding:** No.

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**Finding 17:** The School District Should Ensure Compliance with State Law over Budgeted Expenditures.

**Applicable State Law:** *Section 37-61-19, Mississippi Code Annotated (1972)*, states, “It shall be the duty of the superintendents of school 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 the review of the School District’s amended budget for fiscal year 2019, the auditor noted the following exceptions:

- The District’s actual expenditures for Fund 2020 (School Recognition Program), Fund 2128 (Summer Feeding 2018), and Fund 2971 (Upward Bond – Local) exceeded the budgeted expenditures in the combined amount of **\$34,009**; and
- Two funds, Fund 2020 (School Recognition Program) and Fund 2128 (Summer Feeding 2018), did not have budgeted expenditures.

Failure for the District to ensure these are resources for all expenditures could result in deficit fund balances.

**Recommendation:** We recommend the Coffeeville School District ensure compliance by assuring all funds have available resources before expenditures are approved, as required by state law.

**District’s Response:** After an investigation by the business manager, it was concluded that the previous business manager did not monitor the budget closely enough to ensure Upward Bound did not exceed budgeted expenditures. Fund 2020, School Recognition Program Fund, comprised of **\$31,295**, is the legislature incentive fund which rewards teachers for test scores. The previous business manager failed to assign the funds by the Mississippi Department of Education deadline; therefore, the state made the decision of how the money would be disseminated to the Coffeeville certified staff and business manager failed to complete the process of finalizing all expenditures. Going forward, we will closely monitor the budget during the planning months and ensure that the actual expenditures will be budgeted.

**Repeat Finding:** No.

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**Finding 18:** The School District Should Ensure Compliance with State Law over Administrative Costs.

**Applicable State Law:** *Section 37-61-9(4), Mississippi Code Annotated (1972)*, states, that budgeted expenditures for salaries and fringe benefits paid for central administration costs from all sources of revenue shall be limited to One Hundred Fifty Thousand Dollars (\$150,000) plus four percent (4%) of the expenditures of all school districts each year.

*Attorney General Opinion No. 2008-00389* provides that “Based on the clear and unambiguous meaning of *Section 37-61-9(4) of the Mississippi Code of 1972*, the legislature imposed limitations on budgeted expenditures for certain

administrative costs in an amount not greater than One Hundred Fifty Thousand Dollars (\$150,000) plus four percent of the expenditures of *all* school districts each year.” In this opinion the Office of the Attorney General concludes that the four percent (4%) limitation established by *Section 37-61-9(4)* should not be applied for each individual school district’s total expenditures.

However, the Mississippi Department of Education performs an annual calculation of each school district’s administrative expenditures as a percentage of the total expenditures of the district and includes that calculation in the *Superintendent’s Annual Report*. For fiscal year 2018 Mississippi Department of Education calculated that Coffeeville School District’s administrative expenditures were 7.87% of its total current operating expenditures, which was **\$87,824** over the four percent (4%) plus \$150,000 limitation when considered individually.

**Finding Detail:** During the review of School District’s budgeting for fiscal year 2019, the auditor noted that, when considered individually, the School District exceeded the limits imposed on administrative costs as defined in *Section 37-61-9(4)*, *Mississippi Code Annotated (1972)*, by **\$97,435**.

Failure to ensure administrative costs are within the statutory limitations could result in the loss of public funds that can be expended in the classroom.

**Recommendation:** We recommend the Coffeeville School District ensure compliance by assuring not to exceed administrative cost limitations, as required by state law.

**District’s Response:** The District will monitor administrative costs and review expenditures before creating new budget for FY’21 school year. If cuts are feasible, the District will act accordingly.

**Repeat Finding:** No.

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**Finding 19:** 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)*, provides that “Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a) Persons elected by popular vote...” *Section 25-4-29(1), Mississippi Code Annotated (1972)*, provides that “Required statements hereunder shall be filed as follows: a) Every incumbent public official required...to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration...2) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00) shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer’s county of residence...”

**Finding Detail:** During the review of the School District’s Statements of Economic Interest, the auditor noted the following exceptions:

- Two Board members did not file their Statement of Economic Interest for fiscal year 2018; and
- Two Board members filed their Statement of Economic Interest more than a year after the May 1<sup>st</sup> deadline.

Failure to file the Statement of Economic Interest, as required by state law, results in noncompliance 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 Coffeeville School District ensure compliance by assuring all Board members 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.

**District's Response:** To ensure that the May 1<sup>st</sup> deadline is met, a calendar of events, trainings, and deadlines will be generated for Board members to assist each official in meeting deadlines. This will increase the probability of 100% submission of the Statement of Economic Interest each year.

**Repeat Finding:** No

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**Finding 20:** The School District Should Ensure Compliance with State Laws over Sixteenth Section Educable Child Lists.

**Applicable State Law:** *Section 29-3-121, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year as provided by *Section 29-3-119, Mississippi Code Annotated (1972)*."

**Finding Detail:** During the review of the School District's educable child lists, the auditor noted the lists were not filed for the 2018-2019 school year.

Failure to file the educable child lists with the custodial district could result in forfeiting funds that the District would otherwise be entitled to.

**Recommendation:** We recommend the Coffeeville School District ensure compliance by implementing controls, policies, and procedures to ensure all lists are prepared and filed with the Superintendents of custodial districts by December 31<sup>st</sup> of each year, in accordance with state law.

**District's Response:** Coffeeville School District was notified in early December 2018 that we would need to replace the payroll and 16<sup>th</sup> section clerk. The previous employee was aware of the deadline to file the 2018-2019 annual list of children enrolled in a shared township with Grenada School District; however, did not submit the annual report prior to leaving the District. Her sudden departure did not provide the District enough turn-around time to find a qualified candidate prior to the December 31, 2018 deadline. Nonetheless, after interviewing for this position in January 2019, a candidate was selected and trained as well as made aware the 16<sup>th</sup> section deadlines. Currently, the 16<sup>th</sup> section clerk receives training from the 16<sup>th</sup> section employee in Grenada School District. We are working collaboratively with him and another neighboring District to ensure all 16<sup>th</sup> section documents are submitted in a timely manner.

**Repeat Finding:** No.

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**Finding 21:** The School District Should Ensure Compliance with State Law over Surety Bonds.

**Applicable State Law:** *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.”

*Section 25-1-15(4), Mississippi Code Annotated (1972)*, states, “A new bond in an amount not less than that required by law for public employees shall be secured at the beginning of each new term of office of the public or appointed official by whom they are employed, if applicable, or at least every four (4) years concurrent with the normal election cycle of the Governor.”

*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 Dollard (\$50,000), with sufficient surety, to be payable conditioned and approved in the manner provided by law.”

**Finding Detail:** Based on the review of the School District’s surety bonds, the auditor noted the following exceptions:

- Five Board members’ bonds did not cover their term in office;
- Five Board members’ and the Superintendent’s bonds were not original bonds; instead, their bonds were Continuation Certificates/Renewals; and
- Five Board members, four Principals, Superintendent, Purchase Agent, and Business Managers’ bonds were not filed with the Chancery Clerk’s office.

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 Coffeeville School District ensure compliance 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 as statutorily required. Additionally, the Board should ensure all bonds for employees and officials are filed with the Chancery Clerk.

**District’s Response:** In September 2017, the Business Manager resigned when she gained the knowledge that an independent auditor came in. We then had challenges retaining a qualified business manager in this area. We are now in our fourth Business Manager and in between all those gaps the new Business Managers did not remain on top of when the Board Members’ bonds were expiring and needed to be renewed. Since this time, January 2019, we hired a qualified Business Manager and updated all bonds.

**Repeat Finding:** No.

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**Finding 22:** The School District Should Ensure Compliance with State Law over Board Meeting Attendance.

**Applicable State Law:** *Section 37-6-13(2)(a)(b), Mississippi Code Annotated (1972)*, states, “If a member of a school board misses twenty percent (20%) or more of the meetings of the school board during a calendar year, except for absences caused by required military duty, the member must reimburse the school district that portion of the total salary paid to the member that year which is proportionate to the number of meetings missed by the member in relation to the total number of school board meetings held during that year. For purposes of this subsection, consideration may be given only to meetings of which public notice is required. Before February 1 of each year, the president of each local school board shall submit a report to the State Board of Education containing the names of any members of the school board who missed twenty percent (20%) or more of the school board meetings during the preceding calendar year.”

**Finding Detail:** During the review of the School District Board members' attendance, the auditor noted the following exceptions:

- One Board member was absent for 40% of the 2018 calendar year Board meetings; and
- The School Board President did not submit a report containing the names of any member of the School Board who missed 20% or more of the meetings during the preceding calendar year to the State Board of Education.

Due to the Board members not attending the required percentage of Board meetings, and not submitting a report of the names of its Board members absent more than 20% of the Board meetings, the District is not in compliance with *Section 37-6-13(2)(a)(b)*.

**Recommendation:** We recommend the Coffeeville School District ensure compliance by assuring Board members are present for more than 80% of the meetings each calendar year and report any absences over 20% to the State Board of Education by February 1<sup>st</sup>.

**District's Response:** After investigation, it was concluded that a report was submitted to the Mississippi Department of Education and signed by the School Board president. Attendance is recorded at the top of the Board minutes. However, there was not a member listed on the form submitted for missing 40% nor 20% of the meetings. Going forward, monthly Board meeting attendance will be closely monitored and accurately documented to the Mississippi Department of Education.

**Repeat Finding:** No.

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**OTHER RECOMMENDATIONS BY THE OFFICE OF THE STATE AUDITOR:**

The Office of the State Auditor recommends that School Board consider obtaining new surety bonds for Principals, Purchasing Agents, and the Business Manager. As noted in our test work, the Principals, Purchasing Agents, and Business Manager are covered by renewals or 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 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.

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**End of Report**

**The Coffeeville School District failed to submit a Corrective Action Plan for each audit finding as requested and instructed by the Office of the State Auditor.**