



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

August 2, 2019

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

Jefferson Davis County School  
Board Member  
P. O. Box 1197  
Prentiss, MS 39474

Dear Jefferson Davis County School Board Members:

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

1. Strengthen Internal Controls Over Cash Receipts and Bank Deposits;
2. Strengthen Internal Controls Over Activity Fund Cash Receipts;
3. Strengthen Controls to Ensure Compliance with State Laws Over Education Enhancement Funds;
4. Ensure Compliance with State Laws Over Expenditures;
5. Ensure Compliance with State Laws Over Reemployment of Retired Public Employees;
6. Ensure Compliance with State Laws Over Sixteenth Section taxes and lease payments; and
7. Ensure Compliance with State Laws over Statement of Economic Interest.

Please review the recommendations and submit a plan to implement them by August 16, 2019. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Jefferson Davis County School District

August 2, 2019

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I hope you find our recommendations enable the Jefferson Davis 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  
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Jefferson Davis County School District for the year ended June 30, 2019. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA; Charlotte L. Duckworth; Brooke Seals; and Kendall Cavett.

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 *significant deficiencies* in internal control. These matters are noted under the headings **SIGNIFICANT DEFICIENCIES**.

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

## **SIGNIFICANT DEFICIENCIES**

**Finding 1:** School District Should Strengthen Internal Controls over Cash Receipts and Bank Deposits.

**Executive Summary:** During our review of the 16<sup>th</sup> Section Principal funds, we noted funds received for oil and gas royalties are being held in the central office more than three days before being deposited into the District's bank account. This weakness occurred due to inadequate internal controls surrounding the deposit of oil and gas royalties.

**Recommendation:** We recommend that the District implement procedures to ensure that assets are adequately safeguarded, and revenue is properly receipted, deposited, recognized, and recorded.

**Detailed Analysis:** During review of sixteenth section principal funds at Jefferson Davis County School District, we noted all thirteen (13) checks received for oil and gas royalties were held in the central office more than three (3) days before being deposited into the District's bank account.

The Board's policy states, that funds receipted by the secretaries should be deposited in the District's bank accounts "as soon as possible".

Management is responsible for ensuring that all revenue is deposited in a timely manner in order to safeguard the assets of the District. Allowing checks to remain undeposited, could lead to the checks being misplaced or stolen by authorized personnel. Additionally, there is the potential for lost interest income revenue for undeposited checks.

**Finding 2:** The School District Should Strengthen Internal Controls over Receipts and Deposits for Activity/Athletic Events.

**Executive Summary:** During the review of activity/athletic funds for Jefferson Davis County School District, we noted activity forms were not properly completed and deposits were not made in a timely manner. These weaknesses occurred due to inadequate internal controls related to the collection and deposit of receipts and not following board policy.

**Recommendation:** We recommend that the District ensure policies and procedures are followed to ensure receipts from athletic events are safeguarded, properly recognized, and recorded in a timely manner. This may be done by recalculating the amount of tickets sold at each game, correctly documenting the forms, and making deposits timely.

**Detailed Analysis:** During our review of eighteen (18) activity/athletic funds, we noted the following:

- There were twelve (12) instances in which deposits were less than the number of tickets sold totaling \$46.20.
- There were two instances in which deposits were made four business days after collection.
- There was one instance in which no ending number was recorded on the ticket sheets.

*The Board Activity and Athletic Funds Policies and Procedures* states, “The cash box and tickets must be reconciled before each game with the business office verifying the beginning and ending numbers. All revenue received for the events must be deposited in a timely manner. If the event is held on Friday night the deposit must be made (Night deposit is preferred) or as soon as possible.”

Management is responsible for ensuring that all revenue is correctly earned, recorded, and deposited in order to safeguard the assets of the school district. Failure to follow the Board policies and procedures for activity and athletics funds could result in the loss of cash and improper revenue recognition.

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## **SIGNIFICANT DEFICIENCY AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW**

**Finding 3:** The School District Should Ensure Compliance with State Laws and Board Policy over Education Enhancement Funds.

**Executive Summary:** During the review of Education Enhancement Funds (EEF) for Jefferson Davis County School District, we noted the district issued a procurement card to a federally employed teacher. Federally employed teachers are not entitled to receive a procurement cards as stated by *Mississippi Code Section 37-61-33(3)(a)(iii)* and Jefferson Davis County School District Board policy.

**Recommendation:** We recommend the District strengthen controls to ensure procurement cards are not issued to federally funded teachers as required by *Mississippi Code Section 37-61-33(3)(a)(iii)* and the board policy.

**Detailed Analysis:** During our review of the district’s Education Enhancement Funds for Jefferson Davis County School District, we noted an instance in which a federally employed teacher was issued a procurement card.

*Section 37-61-33(3)(a)(iii), Mississippi Code Annotated (1972)* states, “Nine and sixty-one one-hundredths percent (9.61%) for classroom supplies, instructional materials and equipment, including



computers and computer software, to be distributed to all eligible teachers within the state through the use of procurement cards. On or before September 1 of each year, local school districts shall determine and submit to the State Department of Education the number of teachers eligible to receive an allocation for the current year. For purposes of this subparagraph, "teacher" means any employee of the school board of a school district, or the Mississippi School for the Arts, the Mississippi School for Math and Science, the Mississippi School for the Blind or the Mississippi School for the Deaf, who is required by law to obtain a teacher's license from the State Department of Education and who is assigned to an instructional area of work as defined by the department, but shall not include a federally funded teacher..."

The Board policy *DJEAB Purchasing Procedures – Education Enhancement Funds*, states, "...Classroom supply funds shall not be expended for administrative purposes. "Teacher" means any employee of the school board of a school district who is required by law to obtain a teacher's license from the State Department of Education and who is assigned to an instructional area of work as defined by the department, but shall not include a federally funded teacher..."

Due to the issuance of a procurement card to a federally paid employee, the District is in violations of *Mississippi Code Annotated Section 37-61-33(3)(a)(iii)* and Board's policy DJEAB

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#### INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 4:** The School District Should Ensure Compliance with State Laws over Expenditures.

**Executive Summary:** During the review of the amended budget for Jefferson Davis County School District, we noted funds that exceeded the amended budget. Additionally, there was one fund that was unbudgeted. Because the funds' expenditures exceed their available resources, the District is not in compliance with *Mississippi Code Section 37-61-19*.

**Recommendation:** The Board members and the Superintendent should comply with *Mississippi Code Section 37-61-19* by ensuring all funds have available resources before expenditures are approved.

**Detailed Analysis:** During our review of the amended budget for Jefferson Davis County School District, we noted the Athletic Fund and Child Nutrition Fund expenditures exceeded resources available from their budgeted amounts totaling \$274. Additionally, the Extended School Year SPED fund was unbudgeted for the audit year in the amount of \$9,699.

*Section 37-61-19, Mississippi Code Annotated*, states, "It shall be the duty of the superintendents of school and the 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."

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

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**Finding 5:** School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

**Executive Summary:** During the review of re-hire of retired employees, we noted that the school district did not properly complete the required Form 4B "Certification/Acknowledgement of Reemployment of Retiree" with the Public Employees' Retirement System of Mississippi (PERS).

**Recommendation:** We recommend Jefferson Davis County School District ensure compliance with state laws by properly completing the required Form 4B and submitting the form within five days to PERS.

**Detailed Analysis:** During the review of the Form 4Bs at Jefferson Davis County School District, we noted the following issues:

- Seventeen (17) instances where the District did not file the forms within five days of the rehire date with the Public Employees' Retirement System of Mississippi as required by *Section 25-11-127(4)(b) of the Mississippi Code Annotated (1972)*.
- One instance in which an employee was overpaid by \$1,798.85 of the allowed 50% retirement salary.
- Two (2) instances in which two employees' forms were not properly completed.

*Section 25-11-127(4)(b), Mississippi Code Annotated (1972)*, requires school district hiring service retirees to notify PERS in writing by completing Form 4B "Certification/Acknowledgement of Reemployment of Retiree" with PERS office within five days of employment and the date of termination of the employment.

Failure to file the 4B forms as required by PERS could result in the overpayment of a retiree and PERS assessing a penalty to the District.

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**Finding 6:** School District Should Ensure Compliance with State Laws over Sixteenth Section Taxes and Lease Payments.

**Executive Summary:** During the review of sixteenth section land for Jefferson Davis County School District, we noted that the district was not canceling lease agreements for unpaid annual property taxes. Because the lessees have not paid the annual property taxes and the District has not terminated those lease agreements, the District is not in compliance with *Mississippi Code Section 29-3-57 and 27-3-71*.

**Recommendation:** We recommend the School Board, Superintendent, and Management, comply with *Mississippi Code Section 29-3-57 and 29-3-71*. The School Board should terminate sixteenth section leases when lessee does not pay property taxes on sixteenth section lands leased.

**Detailed Analysis:** During the review of fourteen (14) sixteenth section leases at Jefferson Davis County School District, the auditor noted the following:

- One instance where the rental payment was more than 60 days in default and;
- Two instances in which taxes had not been paid in three years totaling \$1,526.30 owed to the County.

*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 27-3-71, Mississippi Code Annotated (1972)*, states, "Sixteenth section lands reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be



liable, after the same shall have been leased, to be taxes as other lands are taxed during the continuance of the lease, but in case of sale thereof for taxes, only the title of the lessee or his heirs or assigns shall pass by the sale.” In addition, the standard lease agreement used by the District between the lessee and lessor, “Lessee shall pay all taxes levied, if any, on said property time to prevent default.”

Failure to terminate the lease agreements due to the non-payment of property taxes causes noncompliance with state law and could also result in loss of revenue to the school district.

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**Finding 7:** School District Should Ensure Compliance with State Laws over Statements of Economic Interest.

**Executive Summary:** During the review of Jefferson Davis County School District we noted that the Board Members and the Superintendent did not submit their “Statement of Economic Interest” with the Mississippi Secretary of State as required by state law.

**Recommendation:** The Board Member(s) 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.

**Detailed Analysis:** During our review of the Statement of Economic Interest, we noted all five (5) Board Members and the Superintendent did not file by May 1<sup>st</sup>, as required by 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, Mississippi Code Annotated (1972)*, provides that “1.) 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 May1 of each year that such official hold 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) 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 judgement with the circuit clerk in the delinquent filer’s County of residence...”

Failure to file the statement of Economic Interest, as required by state law, results in non-compliance with *Section 25-4-25* and could result in fines being assessed and a civil judgement being enrolled against the delinquent filer, as allowed by *Section 25-4-29(2)*.

**End of Report**

Will L. Russell  
Superintendent of Education



**Board of Education**  
Terri Stamps, District 1  
Bobby L. Wilson, District 2  
Nadine Thompson, District 3  
Shonda Burre, District 4  
Von Norwood, District 5

## COMPLIANCE REVIEW FINDINGS

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

August 14, 2019

Dear Mr. White:

The Jefferson Davis County School District would first like to say thank you to your staff for the assistance and recommendations given during our State Compliance Audit. We appreciate the time that was taken to review our district's policies and financial information. Our district's mission and goal is to ensure that students, parents, staff and community members get the best service possible in a financially strong and efficient school district. We have taken the recommendations given to us and are working to ensure that all findings are corrected and controls are put in place to ensure that we strive to be in compliance with all state and federal laws.

Finding 1: The School District Should Strengthen Internal Controls over Cash Receipts and Bank Deposits. During the review of Sixteenth Section Principal funds it was noted that thirteen (13) checks received for oil and gas royalties were held in the central office more than three (3) days before being deposited into the District's bank account.

Response: The District staff was unaware of the three (3) day turn around for deposits, but tried to ensure that deposits were made in a timely manner. However, the district concurs with the finding and recommendation and will strengthen internal controls to ensure compliance.

### Corrective Action Plan:

- A. The Business Manager, Superintendent, and Administrative Secretary will discuss the finding. The Administrative Secretary will inform the business office when checks are received on behalf of district to ensure that funds are deposited within three (3) business days.
- B. The Business Manager will receipt the deposit in warrant book and take them to the bank within (3) business days.
- C. This will be done immediately.



Finding 2: The School District Should Strengthen Internal Controls over Receipts and Deposits for Activity/Athletic Events. During the review of eighteen (18) activity/ athletic funds, it was noted the following:

- There were twelve (12) instances in which deposits were less than the number of tickets sold totaling \$46.20.
- There were two instances in which deposits were made four (4) business days after collection.
- There was one instance in which no ending number was recorded on the ticket sheet.

Response: The twelve (12) instances in which the deposits were less than the number of tickets were all due to an error in reconciliation of tickets sold by one ticket on each sheet. The two instances in which the deposits were made four (4) business days after collection was for one game with two gate deposits that was held the Friday before the Labor Day Holiday and the deposit had been placed in the night deposit drop after the game but had not been worked up by the bank. The one instance in which no ending number was recorded on the ticket sheet was an oversight, although the ending number was recorded on the second page of the ticket verification sheet. However, the district concurs with the finding and recommendation and will strengthen internal controls to ensure compliance.

Corrective Action Plan:

- A. The Business Manager, Superintendent, Principal and Athletic Director will discuss the findings and procedures to ensure that all issues noted are corrected. The Business Manager will revise the district Ticket Sales Report Forms to ensure that they are able to be easily completed by game workers. The Business Manager and Athletic Director will review revised forms with game workers.
- B. The Business Manager and Athletic Director will review forms once completed by game workers to ensure that all reports are accurate and complete, and make sure that deposit are made within three (3) business days.
- C. This will be done immediately.

Finding 3: The School District Should Ensure Compliance with State Laws and Board Policy over Education Enhancement Funds. During the review of the district's Education Enhancement Funds it was noted an instance in which a federally employed teacher was issued a procurement card.

Response: This error was due to an employee who changed from a District paid employee to a Federal paid employee within the Fiscal year. The employee returned the procurement card to the district after she was notified of the error. However, the district concurs with the finding and recommendation and will ensure compliance with State Laws and Board Policy over Education Enhancement Funds.

Corrective Action Plan:

- A. The Business Manager, Superintendent, Federal Programs Director, Human Resource Manager and Payroll Specialist will discuss the audit finding. The Business Manager, Human Resource Manager and Payroll Specialist will review list of eligible employees

and compare the list to the Federal Program employee list before cards are released to staff.

- B. The Business Manager will ensure that the Principals inform their staff of who will be eligible to receive the Education Enhancement Funds before the distribution of the procurement cards.
- C. This will be done immediately.

Finding 4: The School District Should Ensure Compliance with State Law over Expenditures. During the review of the amended budget it was noted the Athletic Fund and Child Nutrition Fund expenditures exceeded resources available from their budgeted amounts totaling \$274. Additionally, the Extended School Year SPED fund was unbudgeted for the audit year in the amount of \$9,699.

Response: Prior to the District's regular audit and reconciliation of revenue and expenditures, adjustments were needed to prepare for the audit. The district will ensure that all adjustments are made prior to the approval of the final budget. However, the district concurs with the finding and recommendation and will ensure compliance with State Law over Expenditures.

Corrective Action Plan:

- A. The Business Manager, Superintendent, Accountant and Independent Auditor will discuss the finding.
- B. The Business Manager and Account Manager will ensure that all entries and adjustments are made prior to the approval of the final amended budget.
- C. This will be done immediately.

Finding 5: The School District Should Ensure Compliance with State Laws over Reemployment of Public Employees. Seventeen (17) instances where the District did not file the forms within five days of the rehire date with the Public Employees' Retirement System of Mississippi as required by Section 25-11-127 (4)(b) of the Mississippi Code Annotated (1972). One instance in which an employee was overpaid by \$1,798.85 of the allowed 50% retirement salary. Two (2) instances in which two employees' forms were not properly completed.

Response: The Business Office will review forms before they are submitted to PERS to ensure accuracy and monitor payments to PERS employees to ensure that there are no overpayments. The Business staff of the district were not aware of the time restriction set fourth in Section 25-22-1274 (4)(b), Miss Code Ann. (1972) requiring Form 4B to be completed and submitted to PERS within five (5) days of employment. PERS has never brought this issue to the attention of the District. However, the district concurs with the finding and recommendation and will ensure compliance with State Law over Expenditures.

Corrective Action Plan:

- A. The Business Manager, Superintendent, Human Resource Manager and Payroll Specialist will discuss the audit finding. The Business Manager and Human Resource Manager will identify the issues with timely submitting the PERS Form 4B and review the accuracy of completing the PERS Form 4B. The Human Resource Manager and

Payroll Specialist will monitor the wages made by the retirees to ensure that they are not overpaid.

- B. The Business Manager and Human Resource Manager will set up meeting with all returning retirees at the beginning of the school year to ensure that forms are completed to be submitted to PERS within five days of eligible employment start date.
- C. This will be done immediately.

Finding 6: The School District Should Ensure Compliance with State Laws over Sixteenth Section Taxes and Lease Payments. During the review fourteen (14) sixteenth section leases the auditor noted the following:

- One instance where the rental payment was more than 60 days in default and;
- Two instances in which taxes had not been paid in three years totaling \$1,526.30 owed to the County.

Response: The district will work closely with the Land Manager and Tax Assessor/Collector to ensure that leaseholders are notified within 30 days of delinquent tax payments that their lease will be submitted to the School Board for cancellation after 60 days of non-payment of taxes. Leaseholders who are delinquent in lease payments will be submitted to the School board for lease cancellation after 60 days. The district concurs with the finding and recommendation and will ensure compliance with State Law over Sixteenth Section Taxes and Lease Payments.

Corrective Action Plan:

- A. The Business Manager, Land Manager, Tax Assessor/Collector and Superintendent will discuss the finding.
- B. The Tax Assessor/Collector will submit a list of delinquent taxes to the Land Manager after February 1<sup>st</sup>. The Land Manager will send letters to leaseholders who have not paid taxes after 30 days. The Land Manager will submit list of leaseholders who are in default of payments of 60 days to be presented to the Board of Education for cancellation.
- C. This will be done immediately.

Finding 7: The School District Should Ensure Compliance with State Laws over Statement of Economic Interest. During the review it was noted that the Board Members and the Superintendent did not submit their "Statement of Economic Interest" with the Mississippi Secretary of State as required by law.

Response: The Business Office was not aware that the Superintendent and Board Members had not completed and submitted their "Statement of Economic Interest" with the Mississippi Secretary of State as required by law. However, the district concurs with the finding and recommendation and will strengthen internal controls to ensure compliance.

Corrective Action Plan:

- A. The Business Manager, Administrative Assistant, Superintendent and School Board of Education will discuss the finding.
- B. The Administrative Assistant and Superintendent will add Statement of Economic Interest to the Board Agenda starting January of each year to remind the Board of



Education and Superintendent of their requirement to complete the Statement of Economic Interest and ask them to provide the district with proof of the completion before May 1<sup>st</sup> of each year.

C. This will start immediately.

Jefferson Davis County School District's goal is to continue to explore ways to be more efficient and promote the educational goals of the district and retain highly capable staff. We strive daily to ensure that our district will continue to improve and meet all state and federal guidelines. Again, we say thank you for the time and support you have given our District in keeping children first. Should you have questions or require additional information, please let us know.

Sincerely,

A handwritten signature in cursive script that reads "Will L. Russell". The signature is fluid and written in dark ink.

Will L. Russell, Superintendent of Education  
Jefferson Davis County School District