

AMORY SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

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

SHAD WHITE
State Auditor

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



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



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

Limited Internal Control and Compliance Review Management Report

Amory School District
124 Main Street
Amory, Mississippi 38821

Members of the Amory School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for Amory School District for the fiscal year 2020. In these findings, the Office of the State Auditor recommends that Amory School District:

1. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
2. Strengthen Internal Controls and Ensure Compliance over Travel Expenditure Reimbursements;
3. Ensure Compliance with State Laws over Nepotism;
4. Ensure Compliance with State Laws over Purchasing and Invoice Payments;
5. Ensure Compliance with State Laws over Ad Valorem Escrows;
6. Ensure Compliance with State Laws over Retired Public Employees; and
7. Ensure Compliance with State Law over Surety Bonds;

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

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree".

STEPHANIE 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 Amory School District for the year ended June 30, 2020.

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*. 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.

INTERNAL CONTROL DEFICIENCY

Finding 1: 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 20 tested:

- Seven game deposits were made two to eight business days after being receipted;
- Nine deposits were in excess of ticket sales, totaling **\$69**; and
- Four deposits were less than ticket sales, totaling **\$62**.

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 Amory School District strengthen controls over activity funds by enforcing and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: The District will strengthen internal controls over athletic receipts by having more timely deposits.

Repeat Finding: No.

OTHER DEFICIENCY AND NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws 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.

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."

Finding Detail: During the testing of the School District's travel reimbursements, the auditor noted 28 out of 30 travel reimbursements did not have corroborating evidence attached to the claim information.

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

Recommendation: We recommend the Amory School District strengthen controls and ensure compliance over travel reimbursements by strengthening policies and procedures surrounding reimbursements for professional travel expenses.

District's Response: The District will include evidence of conference attendance by including agendas, conference logs, certificates of completion, and/or other such evidence that can be obtained to strengthen internal controls over travel expenditures.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 3: The School District Should Ensure Compliance with State Laws over Nepotism.

Applicable State Laws: *Section 25-4-105 (1), Mississippi Code Annotated (1972)*, prohibits a school superintendent from using his or her position to obtain or attempt to obtain any pecuniary benefit for his or her spouse or other “relative,” as that term defined in *Section 25-4-103(q)*.

Section 37-9-17(1), Mississippi Code Annotated (1972), states, “The school board of any local school district shall be authorized to designate a personnel supervisor or another principal employed by the school district to recommend to the superintendent licensed employees or noninstructional employees; however, this authorization shall be restricted to no more than two (2) positions for each employment period for each school in the local school district. Any noninstructional employee employed upon the recommendation of a personnel supervisor or another principal employed by the local school district must have been employed by the local school district at the time the superintendent was elected or appointed to office; a noninstructional employee employed under this authorization may not be paid compensation in excess of the statewide average compensation for such noninstructional position with comparable experience, as established by the State Department of Education.”

Mississippi Ethics Opinion 10-077-E, requires “If the school board’s designee recommends the superintendent’s spouse for employment in an eligible position, then the superintendent must fully recuse himself from the matter to comply with *Section 25-4-105(1)* ... “Furthermore, the minutes of the meeting should state the superintendent left the room before the matter came before the school board and did not return until after the vote.”

Section 37-9-21, Mississippi Code Annotated (1972), states, “No member of the school board shall vote for any person as a superintendent, principal or licensed employee who is related to him within the third degree by blood or marriage or who is dependent upon him in a financial way. Any contract entered into in violation of the provisions of this section shall be null and void.” *Section 25-4-29(1)(a), Mississippi Code Annotated (1972)*, states, “Every incumbent public official required by paragraphs (a), (b), and (e) of *Section 25-4-25* to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration.”

Mississippi Ethics Opinion 14-051-E, requires “...*Section 25-4-105(1), Miss. Code 1972*, prohibits a school board member from using his or her official position to obtain or attempt to obtain a pecuniary benefit for his or her relatives. The term relative is defined in *Section 25-4-103(q)* and includes the board members’ child. Therefore, the school board member, if elected cannot participate in any matter which would create a monetary benefit for his or her child. Examples of actions in which board member should not participate include, but are not limited to, the selection or promotion of a relative or adjustments to his or her salary, benefits or other compensation and any other action which is a necessary predicate to the relatives’ compensation, and any claims docket or budget from which the relative is paid, including approval of the annual school district budget. A total and complete recusal require the board member leave the meeting room before the matter comes up for discussion and remain absent until the vote is concluded... Furthermore, any minutes or record of the meeting or other proceeding should state the recusing board member left the room before the matter came before the board and did not return until after the vote...”

Finding Detail: During the review of School District’s related party questionnaires, Board minutes, and contracts, the auditor noted the following violations of the Nepotism and Ethics statutes:

One member of the School Board voted to approve the reappointment of her brother and nephew; and the Superintendent’s wife was recommended for rehire; however, the minutes did not reflect the recusal of the Superintendent from the meeting or who recommended her to the School Board.

Failure of the District not spreading upon the minutes the recusal of the Superintendent and listing the personnel supervisor of his spouse in the Board minutes resulted in the violation of *Mississippi Ethics Opinion 10-77-E* and *Mississippi Code Section 37-9-21*. Additionally, failure of the Board member from recusing herself during the

vote of relatives resulted in the violation of *Mississippi Ethics Opinion 14-051-E* and *Mississippi Code Section 37-9-21*.

Recommendation: We recommend that the Amory School District ensure compliance with *Mississippi Ethics Opinions 10-77-E, 14-051-E, and Mississippi Code Section 37-9-21* by recusing themselves during the vote of relative within the third degree.

District's Response: The Board Members will fully recuse themselves in the future when hiring and/or rehiring family members related within the third degree by blood or marriage.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Laws over Purchasing and Payment of Invoices.

Applicable State Laws: *Section 31-7-13(b), Mississippi Code Annotated (1972)*, states, "Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained... The term "competitive written bid" shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by the authorized personnel representing the vendor, or a bid submitted on a bid form furnished by the buying agency or governing authority and signed by the by authorized personnel representing the vendor. "Competitive" shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids. Any bid item for construction in excess of Five Thousand Dollars (\$5,000.00) Shall be broken down by components to provide detail of component description and pricing... Bids may be submitted by facsimile, electronic mail or other generally accepted method of information distribution..."

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; however, in the event of a bona fide dispute, the public body shall pay only the amount not disputed."

Finding Detail: During the testing of the School District's purchasing expenditures, the auditor noted the following exceptions:

- One vendor purchase did not have quotes;
- Three construction quotes were not broken down by each component and pricing;
- Two vendor purchases quotes were not competitive nor comparable; and
- Three invoices were not paid within 45 days of receipt.

Failure to obtain at least two competitive written quotes and pay invoices within 45 days resulted in the District not being in compliance with state purchasing laws.

Recommendation: We recommend the Amory School District ensure compliance with state law by properly obtaining at least two bids for purchases over **\$5,000** but not over **\$50,000**. Additionally, we recommend the School District ensure all invoices are paid within 45 days of being received.

District's Response: The District will monitor purchases and continue to work towards adhering to all purchase laws.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Laws over Ad Valorem Escrow.

Applicable State Laws: *Section 37-57-107(3), Mississippi Code Annotated (1972)*, states, "Except as otherwise provided for excess revenues generated pursuant to an election, if revenues collected as the result of the taxes levied for the fiscal year pursuant to this section and *Section 37-57-1* exceed the increase limitation, then it shall be the mandatory duty of the school board of the school district to deposit such excess receipts over and above the increase limitation into a special account and credit it to the fund for which the levy was made. It will be the further duty of such board to hold said funds and invest the same as authorized by law. Such excess funds shall be calculated in the budgets for the school districts for the purpose for which such levies were made, for the succeeding fiscal year. Taxes imposed for the succeeding year shall be reduced by the amount of excess funds available. Under no circumstances shall such excess funds be expended during the fiscal year in which such excess funds are collected."

Finding Detail: During the testing of the School District's limitation of ad valorem taxes and homestead exemption reimbursements, the auditor noted that the District received more ad valorem taxes and homestead exemptions reimbursements than the amount allowed by *Section 37-57-107, Mississippi Code Annotated (1972)*. The excess is the result of the District receiving more tax revenue from the County than the District's base amount. The District's CPA calculated an escrow totaling **\$163,317**; however, the District's escrow should have been **\$126,288**. Due to the inadequate calculations, controls, policies, and procedures, surrounding the escrow of the excess ad valorem and homestead tax revenue the District is in violation of *Mississippi Code Section 37-57-107*. Due to the calculation indicating a violation of *Section 37-57-107, Mississippi Code Annotated (1972)*, the excess collected during 2018-2019 year in the amount of **\$126,288**.

Recommendation: We recommend that the Amory School District ensure compliance by implementing policies and procedures to ensure compliance with *Mississippi Code Section 37-57-107* and escrow the excess noted totaling **\$126,288**.

District's Response:

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Applicable State Laws: *Section 25-11-127(4), Mississippi Code Annotated. (1972)*, states, "Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment."

Mississippi Public Employment Retirement System (PERS) Board Regulation 34, Section 105, states, "The lawfully employ a PERS service retiree under Section 103, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of

termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of \$300 penalty per occurrence payable by the employer.”

Finding Detail: During the review of the School District’s PERS Form 4Bs, the auditor noted the following exceptions out of 44 tested:

- One retiree was paid more than the amount allowed by PERS, totaling **\$4,432**; and
- Eight PERS Form 4Bs were not submitted within five days of reemployment.

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

Recommendation: We recommend the Amory School District ensure compliance with *Section 25-11-127(4)* and PERS by properly paying employees, completing, and filing Form 4Bs within five days. Additionally, the District should submit and obtain approval of the Independent Contractor questionnaires from PERS for retirees.

District’s Response: The District will work to ensure PERS retirees are not paid more than allowed according to the employee’s PERS Form 4B. The District will have PERS retiree’s hire dates in a pending status until the Form 4Bs are returned to help get the forms submitted back to the district within five days of reemployment.

Repeat Finding: No.

Finding 7: The School Board Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Laws: *Section 25-1-15(1), Mississippi Code Annotated (1972)*, states, “A new bond in the amount required by law shall be secured at the beginning of each new term of office or every four (4) years, whichever is less.”

Section 25-1-15(2), Mississippi Code Annotated (1972), states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.”

Section 37-6-15, Mississippi Code Annotated (1972), requires that the Business Manager as well as all employees receipting and disbursing funds are bonded for at least \$50,000.

Attorney General Opinion 2003 WL 356389, states, “*Section 37-6-15(2)* authorizes school boards to obtain a blanket surety bond for each school district official and employee. If the school board chooses not to obtain a blanket surety bond, the individual member, in our opinion, could not be required to obtain his individual bond from a particular source. However, as we said in our response to your first question, an individual member cannot legally obligate the school district to pay a premium over and above what is necessary to obtain a good and sufficient bond.”

Finding Detail: During the review of the School District’s surety bonds, the auditor noted the blanket bond on file for 19 positions did not include the names of the employees or their terms.

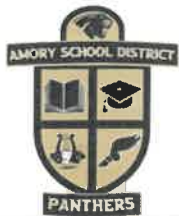
Failure to have a bond in place for a specific term of office and employee’ name listed could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation: We recommend the Amory School District ensure compliance over surety bonds by implementing procedures to ensure all of its employees' bonds meet the requirement of state law.

District's Response: The District will have names included with the positions and get a term date in the place of a continuous period.

Repeat Finding: No.

End of Report



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Office of Business & Finance

Compliance Review Findings

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

8/15/22

Dear Mr. White:

Enclosed are the Responses and Corrective Action Plans of the Compliance Review for the Amory School District for the Fiscal Year 2020.

Audit Findings:

1. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits

Response: The District will strengthen internal controls over activity funds by having more timely deposits.

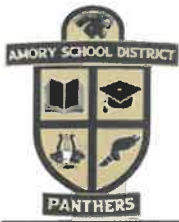
Corrective Action Plan: The District has communicated that all cash deposits are to be made by the next business day after the event takes place. It was also noted on the finding that out of 20 deposits, the net overage of ticket sales was \$7. We will continue to remind our employees to count change out during events with more accuracy.

2. Strengthen Internal Controls over Travel Expenditure Reimbursements

Response: The District will work to strengthen internal controls over travel expenditure reimbursements.

Corrective Action Plan: The District will include evidence of conference attendance by including agendas, conference logs, certificates of completion, and/or other such evidence that can be obtained to strengthen internal controls over travel expenditures.

WE WORK BEST WHEN WE WORK TOGETHER



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Office of Business & Finance

3. Ensure Compliance with State Laws over Nepotism

Response: The District will work to ensure compliance with State Laws in regards to Nepotism.

Corrective Action Plan: The board members and/or Superintendent will fully recuse themselves in the future when hiring and/or rehiring family members related within the third degree by blood or marriage.

4. Ensure Compliance with State Laws over Purchasing and Invoice Payments

Response: The District will work to ensure compliance with State Laws regarding Purchasing and Payment of Invoices.

Corrective Action Plan: The District will monitor purchases and continue to work towards adhering to all purchase laws.

5. Ensure Compliance with State Laws over Ad Valorem Escrows

Response: The District's annual financial auditor documented a different escrow amount than what the State Auditor calculated. However, the CPA performing the financial audit, consulted with the Office of the State Auditor at the time of the audit. His calculation was determined by the State Auditor's response at that time.

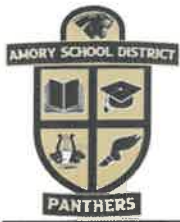
Corrective Action Plan: The District has noted the difference in the two escrow calculations and will continue to work with our financial auditors and the Office of the State Auditor to ensure escrow calculations are based on the current stance of the Office of the State Auditor and in compliance with state law.

6. Ensure Compliance with State Laws over Reemployment of Retired Public Employees

Response: The District will work to ensure compliance with State Law over Reemployment of Retired Public Employees.

Corrective Action Plan: The District will monitor the retiree's hours and pay to help ensure they do not exceed the amount allowed by PERS. The District will also have PERS retirees hire dates in a pending status until the Form 4B's are returned, in order to help get the forms submitted back to the District within five days or reemployment.

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7. Ensure Compliance with State Law over Surety Bonds

Response: The District will work to ensure compliance with State Law over Surety Bonds

Corrective Action Plan: The District will have names included with the positions, rather than a blanket bond. The District will work with the Surety Bond carrier to ensure each bond has a term date.

This concludes the District's responses to the State Auditor's findings. Your recommendations are appreciated, and we will work to ensure the Amory School District is in compliance with State Laws.

Sincerely,

Brian Tyler Jones
Superintendent

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