

EAST JASPER 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

November 17, 2021

Limited Internal Control and Compliance Review Management Report

East Jasper Consolidated School District
714 N. Pine Ave.
Heidelberg, MS 39439

Members of the East Jasper School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for East Jasper School District for the fiscal year 2020. In these findings, the Auditor's Office recommends East Jasper School District:

1. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
2. Strengthen Internal Controls and Ensure Compliance with State Laws over Sixteenth Section Lease Revenues, Taxes, and Appraisals;
3. Ensure Compliance with State Laws over Financial Reports;
4. Ensure Compliance with State Laws over Obtaining Quotes for Purchases Over \$5,000 but Not Over \$50,000;
5. Ensure Compliance with State Laws over Administrative Costs;
6. Ensure Compliance with State Laws over Statements of Economic Interest; and
7. Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Please review the recommendations and submit a plan to implement them by December 17, 2021. 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. East Jasper School District's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them. Minor grammatical changes may have been made to responses in order to provide clarity. These changes did not change the substance of the District Response.

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.

East Jasper School District
February 3, 2022
Page **4** of **10**

I hope you find our recommendations enable the East Jasper 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 style with a large initial 'S'.

STEPHANIE 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 East Jasper School District for the year ended June 30, 2020. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA; Charlotte Duckworth; Brooke Seals; and Max Seage.

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 a certain deficiency in internal control that we consider to be a *significant deficiency*. This matter is noted under the heading **SIGNIFICANT DEFICIENCY**. We also identified another deficiency that we have noted under the heading **OTHER CONTROL DEFICIENCY and NONCOMPLIANCE WITH STATE LAW**.

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 **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

SIGNIFICANT DEFICIENCY

Finding 1: The School District Should Strengthen Internal Controls over Receipts and Deposits Activity Fund Events.

Internal Control Deficiency: *School Board Policy, Section D, Fiscal Management, Policy DK – Student Activities Fund Management*, states, "A person remitting activity funds to the principal for deposit will be given the original receipt, the second copy will be attached to the transmittal report to the central office, and the third copy will be kept in the book and on permanent file in the principal's office. All of these pre-numbered receipts must be accounted for ... All funds collected within the school must be deposited daily..."

Management is responsible for ensuring that all revenue is correctly earned, recorded, and deposited timely in order to safeguard the assets of the school district. This deficiency occurred due to inadequate controls related to the collection and deposit of receipts.

Finding Detail: During the testing of the School District's activity/athletic fund revenue, the auditor noted the following weaknesses in internal controls, out of 21 tested:

- Five instances in which deposits were less than the ticket sales, totaling **\$92**;
- Ten instances in which deposits were more than the total ticket sales, totaling **\$201**; and
- One instance in which general admission ticket sales forms did not have beginning and ending ticket numbers, totaling **\$9,786**.

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 East Jasper School District strengthen controls by enforcing policies and procedures to ensure receipts from all activity/athletic fund revenue collections are safeguarded, properly recognized, and recorded.

District Response: The District will implement measures to ensure that deposits will match ticket sales. All staff will be trained on proper procedures for recording and handling tickets.

Repeat Finding: No.

OTHER CONTROL DEFICIENCY and NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Strengthen Internal Controls over Deposits and Ensure Compliance with State Laws over Sixteenth Section Lease Revenues, Taxes, and Appraisals.

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. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Applicable State Laws: *Section 29-3-57, Mississippi Code Annotated (1972)*, states, “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 29-3-71, 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 states, “Lessee shall pay all taxes levied, if any, on said property on time to prevent default.”

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

Finding Detail: During the review of School District’s sixteenth section land leases, the auditor noted the following instances of non – compliance, out of 20 tested:

- One instance in which the lease payment was not properly receipted by the District, totaling **\$1,522**;
- Two leases where taxes were not current; however, the lease agreements were not terminated, totaling **\$209**;
- There were no appraisals noted in the files for three lease agreements prior to entering into new lease agreements; and
- Five lease payments were more than 60 days late; however, the leases were not terminated.

Failure to terminate lease agreements due to the non-payment of property taxes, rental payments, and failure to appoint a competent appraiser resulted in noncompliance with state laws and regulations. Inadequate internal controls relating to receipting sixteenth section revenue could result in a loss of assets and improper revenue recognition.

Recommendation: We recommend the East Jasper School District strengthen controls and ensure compliance by ensuring lease payments are made within 60 days, taxes are current, and an appraiser is appointed one year before the rental of sixteenth section land, as required by state law and regulations. Additionally, we recommend all lease payments are receipted immediately.

District Response: The District will comply with *Section 29-3-65* of the Mississippi Code.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

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

Applicable State Law: *Section 37-9-18, Mississippi Code Annotated (1972)*, requires all financial reports be submitted to the local school board. According to the board's policy, financial reports that shall be submitted to the Board includes reconciled bank statements, statement of revenues and expenditures, current budget status, monthly cash-flows, and combined balance sheet or current fund equity balances at each regular monthly school board meeting. A copy of all required financial reports shall be included in the official minutes of the board meeting at which the reports were discussed.

Finding Detail: During the review of the School District's Board minutes, the auditor noted the following financial statements were not properly and timely submitted monthly to the School Board:

- October 2019;
- December 2019;
- March 2020;
- April 2020; and
- May 2020.

Failure to submit a complete set of financial reports to the School Board monthly could result in the loss or misappropriation of public funds and resulted in noncompliance with *Section 37-9-18*.

Recommendation: We recommend the East Jasper School District ensure compliance by submitting all financial reports to the School Board monthly, as required by law.

District Response: The District will comply with code *Section 37-9-18*.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Laws over Obtaining Quotes for Purchases Over \$5,000 but Not Over \$50,000.

Applicable State Law: *Section 31-7-13(b), Mississippi Code Annotated (1972)*, requires the District to obtain at least two competitive written bids for purchases over \$5,000 but not over \$50,000 exclusive of freight and shipping charges. The District is required to accept the lowest and best competitive written bid.

Finding Detail: During the testing of the School District's purchasing expenditures, the auditor noted that two vendor purchases did not have quotes or bids, totaling **\$11,170**.

Failure to obtain at least two competitive written quotes or bids resulted in the District not being in compliance with state purchasing laws.

Recommendation: We recommend the East Jasper School District ensure compliance by properly obtaining at least two quotes or bids for purchases over \$5,000 but not over \$50,000, as required by *Section 31-7-13(b)*.

District Response: The District will comply with *Section 31-7-13(b)* of the Mississippi Code.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Laws over Administrative Costs.

Applicable State Laws: *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.

Finding Detail: During the review of the 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 **\$88,938**.

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 2019, the Mississippi Department of Education calculated that East Jasper School District's administrative expenditures were 6.80% of its total current operating expenditures, which was **\$152,674** over the four percent (4%) plus \$150,000 limitation when considered individually.

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 East Jasper School District ensure compliance with administrative cost limitations, as required by state law.

District Response: The District will comply with *Section 37-61-9(4)* of the Mississippi Code.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Laws 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, 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 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) 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 judgment with the Circuit Clerk in the delinquent filer’s county of residence...”

Finding Detail: During the review of School District’s Statements of Economic Interest, the auditor noted that five Board members did not submit their Statement of Economic Interest to the Mississippi Ethics Commission by May 1, 2020, as required by state law.

Failure to file the Statements of Economic Interest resulted in noncompliance with *Section 25-4-25*. It could also result in fines assessed and a civil judgment being enrolled against the delinquent filers, as allowed by *Section 25-4-29(2)*.

Recommendation: We recommend the East Jasper School District ensure compliance by ensuring all Board members file a Statement of Economic Interest annually, no later than May 1st of each year, that such official hold office, regardless of the duration.

District Response: The District will comply with *Section 25-11-127(4)* of the Mississippi Code.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Applicable State Law: *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.”

PERS Board Regulation 34, Section 105, states, “To 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 a \$300 penalty per occurrence payable by the employer.”

Finding Detail: During the testing of the School District’s retired and rehired employees, the auditor noted the following instances of non – compliance, out of 17 tested:

- One retiree was rehired before the 90 – day requirement after retirement;

- Three PERS Form 4Bs did not indicate the retirement date of employees;
- One revised PERS Form 4B was not submitted to PERS within five days of a position change, which increased the retiree's salary; and
- Six PERS Form 4Bs were not filed within five days of rehiring the employees.

Failure to file Form 4Bs as required by PERS 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 East Jasper School District strengthen controls over rehiring retirees by properly completing the required Form 4Bs and submitting the forms to PERS within five days from the date of reemployment.

District Response: The District will comply with *Mississippi Code Section 25-11-127(4)*.

Repeat Finding: No.

End of Report

East Jasper County School District

Administrative Offices



P.O. Drawer E
Heidelberg, Mississippi 39439

Phone: (601) 787-3281
(601) 787-2055
Fax: (601) 787-3410

COMPLIANCE REVIEW FINDINGS

January 9, 2022

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

Dear Mr. White:

AUDIT FINDINGS:

Finding 1: The School District should strengthen internal controls over receipts and deposits activity fund events.

Response: The District will implement measures to ensure that deposits will match ticket sales. All staff will be trained on proper procedures for recording and handling tickets.

Corrective Action Plan:

- A. The District has implemented online ticket sales as an option to reduce the cash being handled for athletic events.
- B. The District process for tickets to Athletic Events will be reviewed with all employees involved in the process:
 - a. Tickets will be maintained in the business office.
 - b. School event forms will be prepared by Lakeyia Taylor for each athletic event.
 - c. The school event form will be prefilled with the date of the event, amount of change cash, and the beginning ticket number.
 - d. The Athletic Director and the ticket seller are responsible for verifying the prefilled information.
 - e. At the conclusion of the ticket sales, the athletic director or his designee will:
 - i. Record the next ticket number on the roll on the school event form.
 - ii. Calculate the anticipated cash by subtracting the beginning ticket number from the ending ticket and multiplying the tickets sold by the price per ticket.
 - iii. Count the cash on hand.
 - iv. Record the cash on hand on the form and calculate the short or overage if any.
 - v. Investigate any significant shortages or overages.
- C. While the District understands the importance of internal controls and safeguarding assets, shortages and overages occur when gate workers are making the change or when participants tell the gate worker to keep the change. The District will investigate any significant shortages or overages.

Finding 2: The School District should strengthen internal controls over deposits and ensure compliance with state laws over sixteenth section lease revenues, taxes, and appraisals.

Response: The District will comply with Section 29-3-65 of the Mississippi Code.

Corrective Action Plan:

- A. The District has addressed the issues with the individual responsible for 16th Section leases.
- B. The District will verify that taxes were paid with the Jasper County Tax Collector after February 1 annually.
- C. The District will notify the board of any leases in arrears and document the decision in the minutes to either terminate the lease or the reasons for not terminating the lease.
- D. Appraisals will be obtained prior to entering into new lease agreements.

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

Response: The District will comply with code Section 37-9-18.

Corrective Action Plan:

The business manager will submit reports to the board within 30 days after the end of the month.

Finding 4: The School District Should Ensure Compliance with State Laws over Obtaining Quotes for Purchases Over \$5,000 but Not Over \$50,000.

Response: The District will comply with Section 31-7-13(b) of the Mississippi Code.

Corrective Action Plan:

The District will provide training to all of the appropriate staff in the purchase laws.

Finding 5: The School District Should Ensure Compliance with State Laws over Administrative Costs.

Response: The District will comply with Section 37-61-9(4) of the Mississippi Code.

Corrective Action Plan:

Attorney General Opinion No. 2008-00389 states that the 4% limitation applies to all school Districts, no further corrective action is necessary.

Finding 6: The School District Should Ensure Compliance with State Laws over Statements of Economic Interest.

Recommendation: The District will comply with Section 25-11-127(4) of the Mississippi Code.

Corrective Action:

A reminder to file the Statement of Economic Interest will be added to the April board agenda annually.

Finding 7: The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

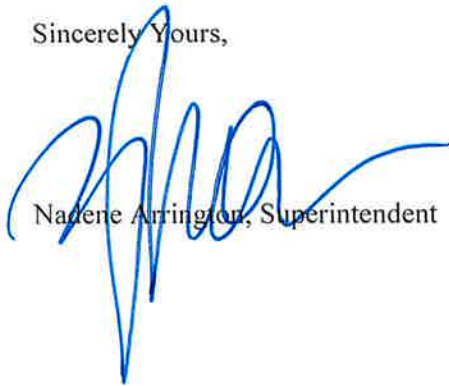
Response: The District will comply with Mississippi Code Section 25-11-127(4).

Corrective Action:

The applicable section will be reviewed with the appropriate personnel.

Please feel free to contact me regarding any questions concerning this matter.

Sincerely Yours,

A handwritten signature in blue ink, appearing to read 'Nadene Arrington', with a long horizontal flourish extending to the right.

Nadene Arrington, Superintendent