

EAST TALLAHATCHIE 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
Deputy State Auditor

Charlotte Duckworth
Director, Compliance Audit Division





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

February 8, 2023

Limited Internal Control and Compliance Review Management Report

East Tallahatchie School District
411 East Chestnut Street
Charleston, Mississippi 38921

Members of the East Tallahatchie School Board:

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

1. Strengthen Internal Controls over Board and Superintendent Oversight;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Financial Operations;
3. Strengthen Internal Controls over Bank Reconciliations;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Superintendent's Contract;
5. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval;
6. Strengthen Internal Controls over Activity Funds Cash, Receipts, and Deposits;
7. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Expense Reimbursements;
8. Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Payments, Deposits, and Appraisals;
9. Strengthen Internal Controls and Ensure Compliance with State Law over Purchasing Documents and Payment of Invoices;
10. Strengthen Internal Controls and Ensure Compliance with State Law over Claims Dockets;
11. Strengthen Internal Controls and Ensure Compliance with State Law over Board Minutes;
12. Strengthen Internal Controls and Ensure Compliance with State Law over Education Enhancement Fund Procurement Cards;
13. Ensure Compliance with State Law over Monthly Financial Reports;
14. Ensure Compliance with State Law over Its Financial Exchange Transaction System Report (FETS);
15. Ensure Compliance with State Law over Purchases in Excess of **\$50,000**;
16. Ensure Compliance with State Law over Purchases Over **\$5,000** but Not Over **\$50,000**;
17. Ensure Compliance with State Law over School Bus Purchases;
18. Ensure Compliance with State Law over Appropriate Coding at the Functional Level of Expenditures;
19. Ensure Compliance with State Law over Public Depositor's Annual Report;

20. Ensure Compliance with State Law over Depositories;
21. Ensure Compliance with State Law over Annual Sixteenth Section School Trust Land Report;
22. Ensure Compliance with State Law over Sixteenth Section Shared Townships;
23. Ensure Compliance with State Law over Sixteenth Section Educable Child Lists;
24. Ensure Compliance with State Law over Statement of Economic Interest;
25. Ensure Compliance with State Law over Background Checks;
26. Ensure Compliance with State Law over Certified Employees Contracts and Salaries;
27. Ensure Compliance with State Law over Reemployment of Retired Public Employee;
28. Ensure Compliance with State Law over Budget Certifications;
29. Ensure Compliance with State Law over Ad Valorem Requests, Advertisements and Escrows; and
30. 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 East Tallahatchie School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,



STEPHANIE C. 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 East Tallahatchie 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 *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.

MATERIAL WEAKNESSES

Finding 1: The School District Should Strengthen Internal Controls over Board and Superintendent Oversight.

Internal Control Deficiency: *Mississippi Public School Accountability Standards*, states, "The local School Board and the Superintendent of Schools shall exercise due diligence in performing the respective duties of each office in accordance with applicable law. The local School Board's responsibilities shall pertain to matters of setting policy and shall not interfere in the day-to-day operations of the School District that include, but are not limited to, such duties as those relating to personnel and management decisions..." The standards also state, "The School Board assigns all executive and administrative duties to the Superintendent, who is properly licensed and chosen in the matter prescribed by law."

Finding Detail: During the review of the School District's internal controls, the auditor noted operations in the School District were not appropriately overseen by the School Board and the Superintendent. The test-work performed at East Tallahatchie confirmed a lack of oversight due to the large number of exceptions and instances of noncompliance discovered. The actions and findings noted in this report indicate a lack of appropriate oversight and "tone at the top" leadership when considered in the aggregate.

Lack of oversight resulted in the Business Manager receiving overtime wages in the amount of **\$10,806**, which were not allowed.

Recommendation: We recommend the East Tallahatchie School District strengthen internal controls provide more effective and appropriate oversight over the School District by strengthening control by implementing new controls, policies, and procedures where necessary.

District's Response: The Superintendent will take an active role in making sure that the Business Manager is properly supervised as required by the *Public School Accountability Standards*. When it was brought to my attention, I communicated with the Board Attorney by doing an investigation. After the investigation was completed, a termination letter was issued.

Repeat Finding: No.

Finding 2: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Financial Operations of the District.

Internal Control Deficiency: Management is charged with the responsibility of monitoring, which requires continuous assessment and implementation of the district's internal controls system. Monitoring includes the normal day to day standard operating procedures used by the district to conduct business, and the evaluation of employee's understanding of those procedures. Monitoring also includes both internal and external quality assessments of the internal controls system. Management must ensure that employees understand the control system and standard operating procedures, and their responsibility to ensure that the internal controls are effective.

School Board Policy, Section D, Fiscal Management, Policy Code DGA – Fund Balance (GASB 54), states, "The Board of Trustees of the East Tallahatchie School District recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the school district and its fiscally advantageous for both the district and its taxpayers..."

Applicable State Law: *Section 37-9-18(2), Mississippi Code Annotated (1972)*, states, "...If the Auditor's opinion on the general purpose financial statements is a disclaimer, as that term is defined by generally accepted auditing standards, or if the State Auditor determines the existence of serious financial conditions in the district, the State Auditor shall immediately notify the State Board of Education. Upon receiving the notice, the State Superintendent of Public Education shall direct the school district to immediately cease all expenditures until a financial advisor is appointed by the state superintendent."

Finding Detail: During the review of the School District's financial structure, the auditor noted the following exceptions that indicate serious financial distress:

- On November 15, 2019, the District's financial consultant wrote a recommendation letter to the School Board, which stated the following:
 - A recommendation to issue a Tax Anticipation Note by January 2020;
 - At the end of October 2020, the District Maintenance pooled bank account had a balance in the amount of **\$460,638.85**, and the majority of these funds belonged to other funds;
 - Since July 1, 2019, not all revenue had been recorded in the general ledger and the bank statements had not been reconciled; and
 - The pooled bank account balance did not cover the monthly payroll, which was approximately **\$675,000**.

- The District did not issue a Tax Anticipation Note until July 24, 2020 in the amount of **\$550,000**; and
- As of December 2020, the District's bank statements for District Maintenance, Accounts Payable, and Payroll still had not been reconciled since July 2019.

Failure on part of the School Board to monitor the everyday operations of the business office and ensure its accounting personnel possess and maintain a level of competence that allows them to accomplish their assigned duties resulted in the District being in serious financial distress.

Recommendation: We recommend the State Superintendent appoint a financial advisor and the School District ceases expending District's funds immediately.

District's Response: The East Tallahatchie School District plans to continue corrective actions by following the proper procedures as it relates to the Board policy, *Section D, Fiscal Management, Policy Code DGA "Fund Balance."* During the transition of staff in the East Tallahatchie School District, the lack of business managers, and properly trained key staff members were not able to make sure that these responsibilities were adhered to. The Superintendent will take an active role in ensuring that this is corrected going forward.

Repeat Finding: No.

Finding 3: The School District Should Strengthen Internal Controls 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 reconciling the bank accounts by adding outstanding deposits and subtracting outstanding checks to the balance per bank statement to reconcile to the amount of cash that is listed on the general ledger of the District to what is recorded at the bank. The reconciliation process enables the Business Office to make adjusting journal entries to correct any mistakes or unrecorded items in the Districts' 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."

Finding Detail: During the testing of the School District's bank reconciliations, the auditor noted the following exceptions at the end of fieldwork on July 9, 2020:

- The District's bank accounts had not been reconciled to its general ledger's cash balance since July 2019. There was a difference totaling **(\$223,116)**:
 - Payroll Clearing – **\$153,517**
 - District Maintenance - **\$163,517**
 - Cafeteria – **(\$198,394)**
 - Accounts Payable – **\$104,476**
- The District was unable to locate the bank statements on one bank account in the name of High School Activity and Club fund; therefore, OSA was unable to verify the account's activity or its existence.

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

manner. Additionally, failure to reconcile bank statements increases the risk of the Board approving expenditures in excess of the funds available.

Recommendation: We recommend the East Tallahatchie School District strengthen internal controls by implementing adequate policies and procedures to ensure all bank statements are reconciled timely and properly with the District's general ledger. In addition, we recommend Management reconcile bank accounts monthly to the general ledger by fund in order to effectively and timely account for any variance from the book balances.

District's Response: The East Tallahatchie School District plans to continue corrective actions by following the proper procedures as it relates to the *Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3*. During the transition of staff in the East Tallahatchie School District, the lack of business managers and properly trained key staff members were not able to make sure that the responsibilities are adhered to. The Superintendent will take an active role in ensuring that this is corrected going forward.

Repeat Finding: No.

Finding 4: 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. No one Board Member has the power to approve contracts or increase the liability of all Board Members without a majority vote, which should be spread upon its minutes.

Applicable State Law: *Section 37-9-25, Mississippi Code Annotated (1972)*, states the school board shall have the power and authority, in its discretion, to employ the superintendent, unless such superintendent is elected at the November 2015 general election, for not exceeding four (4) scholastic years and the principals or licensed employees for not exceeding three (3) scholastic years.

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."

Mississippi Attorney General Opinion 2007 WL 2285376, states, "... the Mississippi Supreme Court addressed the question of whether the actions of a school board were invalidated by (1) failure to give proper notice of the special called meeting under the Open Meetings Laws, and (2) failure of the board president to sign minutes within the statutory time frame under *Section 37-6-9*. The court pointed out that *37-6-9* "does not state the degree of precision" with which it is to be followed or what the consequences are if one fails to follow those requirements. The Court ultimately held that both omissions, while a violation of the Open Meetings Laws and *37-6-9*, respectively, did not invalidate the actions taken by the board at that meeting, to wit: While it was certainly a violation of the Open Meetings Act, the failure of the school board to record any notice of the special July 31, 1991, meeting did not void the actions of the school board taken at that meeting."

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

- On January 24, 2020, the School Board called a special meeting and approved to not extend the Superintendent's contract for the 2020–2021 school year. The Board's President wrote to the *Mississippi Ethics Department* in regards to the agenda not being posted before the meeting.

- On June 17, 2020, the *Mississippi Ethics Department* notified the Board and informed them that the special – called meeting was in violation of the Open Meetings Law; however, this did not void the actions of the Board to dismiss the Superintendent; and
- On June 29, 2020, the Board President signed the Superintendent’s new contract without Board approval. The salary for this contract was fixed at **\$121,000**.

Failure to ensure there was Board approval of the extended contract resulted in the Superintendent’s contract not being valid for the 2020-2021 school year and resulted in noncompliance with state law and regulations.

Recommendation: We recommend the East Tallahatchie School District Board strengthen internal controls and ensure compliance by ensuring the Superintendent’s salary is Board approved and future payments are legal.

District’s Response: The issue regarding the Superintendent’s contract was one of confusion, compounded by the onset of the COVID-19 pandemic. When three Board members called for and held a special-called Board meeting in January 2020, the reason for the Board was inadvertently left off the posted notice of the meeting. The Ethics Commission ruled that the omission was a violation of the open meetings law. As a result of the defective notice, at the regularly scheduled Board meeting in February 2020, the Board assumed the meeting that it was an illegal meeting and did not approve any minutes for the special-called January meeting. Therefore, there is nothing in the Board minutes to reflect what happened in the special-called January Board meeting. The pandemic hit in March and school was closed for the remainder of the 2019-2020 school year.

Because no official notice was provided to the Superintendent that his contract was not being extended for the 2020-2021 school year, the Board members all assumed the contract was extended by law for one more year and thus continued to work with the Superintendent under the extended contract. While the Board President and Superintendent executed a new contract for the 2020-2021 school year, that contract was never presented to the Board for approval. Thus, the Superintendent, in the minds of the Board members, has been working under the extended contract and not the new contract that has not been approved by the Board.

In December, the Board was informed by the OSA that the action taken in January 2020 meeting was legal in spite of the defective notice. However, the Board has been operating this year under the assumption that the extended contract was in fact the manner under which the Superintendent was working and was paid.

Repeat Finding: No.

Finding 5: 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 the District fund 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...”

Section 37-61-19, Mississippi Code Annotated (1972), requires the combined budget and combining budgets for each fund type are reflected in the board minutes or an addendum to the board minutes. Both should be signed by both the Board’s president and secretary. Signed copies should be filed within the District.

Finding Detail: During the review the School District's budgets, the auditor noted the following exceptions:

- On July 31, 2018, the Board approved the 2018-2019 original budget that included 20 funds reflecting a projected negative fund balance at year end;
- The amended 2018-2019 budget was not approved nor documented in the Board minutes; and
- The amended 2018-2019 budget included the following 23 funds reflecting a negative fund balance at year end:
 - District Maintenance (1120) – (\$1,186,784);
 - Special Education (1130) – (\$42,789);
 - Alternative (1140) – (\$174,073);
 - Upper Elementary Activity (1152) – (\$15,727);
 - Elementary Activity (1153) – (\$9,391);
 - High School General Activity (1154) – (\$9,835);
 - Band (1170) – (\$7,467);
 - Athletics (1175) – (\$36,281);
 - Cafeteria Fund (2110) – (\$49,498);
 - Title I (2211) – (\$699,144);
 - School Improvement (2311) – (\$315,379);
 - Title II (2511) – (\$204,420);
 - EHA Part B (2610) – (\$404,222);
 - EHA Preschool (2620) – (\$570);
 - Title IV (2811) – (\$36,936);
 - McKinney Vento Homeless (2814) – (\$29,460);
 - Save the Children (2918) – (\$157,048);
 - M. Freeman – Travel & Admission (2921) – (\$2,969);
 - K-3 Universal Screeners (2923) – (\$1,421);
 - School Nurse Intervention Grant (2924) – (\$23,313);
 - BCBS Project Fit (2927) – (\$26,635);
 - TELA – Summer Program (2928) – (\$6,708); and
 - Debt Service – Shortfall Note (4031) – (\$19,380).

The actual fund balances were not negative at June 30, 2019; however, the approval of the fund budgets with ending deficit fund balances could result in a violation of state law.

Recommendation: We recommend the East Tallahatchie 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 presentation to the Board for approval.

District's Response: The District plans to ensure that all budgets are corrected and funds will not be approved in excess of the budget.

Repeat Finding: Yes

SIGNIFICANT DEFICIENCY

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 review of the School District's activity fund receipts and deposits, the auditor noted the following exceptions out of 15 tested:

- Nine game deposits were made between two to six business days after monies were receipted;
- Ten deposits were in excess of ticket sales, totaling \$21; and
- Six deposits were less than ticket sales, totaling \$40.

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 Tallahatchie 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: The District plans to strengthen internal control processing to be sure that the athletic funds are properly handled and deposited in a timely manner.

Repeat Finding: No.

OTHER DEFICIENCIES AND NONCOMPLIANCE WITH STATE LAW

Finding 7: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Expense 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 District Policy, Section D, Fiscal Management, Policy DJ – Expense Reimbursements, states, "Administrative personnel and others who have first been authorized by the superintendent to travel in the performance of their duties shall be advanced or reimbursed their expenses by the school district for such travel as indicated below: 1. For each mile actually and necessarily traveled in the employee's automobile or other private motor vehicle \$.55 per mile...4. For pro-rated travel days, the applicable maximum daily meal reimbursement will be allowed to individual meals as follows: Breakfast \$6.00, Lunch \$9.00, Dinner \$15.00 Total \$30.00...Maximum reimbursement of \$30.00 per day for meals for in-state and out-of-state travel...This includes tips."

Applicable State Law: *Section 25-3-41(1), Mississippi Code Annotated (1972)*, states, "Subject to the provisions of subsection (10) of this section, when any officer or employee of the State of Mississippi, or any department, agency or institution thereof, after first being duly authorized, is required to travel in the performance of his official duties, the officer or employee shall receive as expenses for each mile actually and

necessarily traveled, when the travel is done by a privately owned automobile or other privately owned motor vehicle, the mileage reimbursement rate allowable to federal employees for the use of a privately owned vehicle while on official travel.”

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 the following exceptions:

- Eleven travel vouchers could not be verified as Board approved prior to travel;
- Ten travel reimbursements could not be properly verified and tested due to documentation not being provided;
- Nine travel vouchers were no properly signed for payment;
- Seven travel reimbursements did not include corroborating evidence that supported the purpose of travel;
- Seven mileage reimbursements were reimbursed at the incorrect mileage rate;
- Five lodging expenses could not be properly verified by hotel bill;
- Four meal reimbursements exceeded the maximum daily allowance approved in the District’s Board policy and were missing receipts, totaling **\$104**;
- Two meal reimbursements could not be verified as not being included in the registration costs for professional development conferences;
- Two travel advances were not repaid within ten working days after the end of the month of travel;
- One in-state travel voucher was approved as an advance;
- One travel reimbursement was overpaid **\$67**, due to the employee incorrectly recorded mileage on their travel voucher; and
- The Federal Programs Director was reimbursed twice for the same travel voucher, totaling **\$129**.

Lack of adequate controls could result in the fraud, loss, or misappropriation of public funds and resulted in noncompliance with state law.

Recommendation: We recommend the East Tallahatchie School District strengthen internal controls and ensure compliance by assuring all travel expense reimbursements are completed and documented, as required by state law and regulations.

District’s Response: The new Business Manager and new Accounts Payable Clerk will strengthen internal control processes to ensure that travel expenditures are paid correctly.

Repeat Finding: No.

Finding 8: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Payments, Deposits, and Appraisals.

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*.”

Finding Detail: During the review of the School District’s sixteenth section leases, the auditor noted the following exceptions out of 12 tested:

- Ten land appraisals could not be found in the District’s files;
- Eight lease payment deposits were not provided;
- Seven lease payments could not be traced by OSA to deposit slips or bank statements;
- Six lease payments had not been paid to the District in one to three years; however, the lease agreements were not cancelled;
- Three lease payments were paid more than 60 days late; however, the lease agreements were not cancelled;
- Three leases’ taxes were not current; however, the lease agreements were not cancelled;
- Two lease payments were not receipted;
- Two lease payments could not be traced to the general ledger; and
- The SOS School Trust Land Report was not filed for 2019; therefore, OSA could not properly trace the leases tested to the report.

Failure to terminate lease agreements due to non-payment of rental payments, receipt rental payments; and appoint appraisers resulted in noncompliance with state laws and regulations.

Recommendation: We recommend the East Tallahatchie School District strengthen internal controls and ensure compliance by assuring that all sixteenth section revenue is properly receipted, documented and recorded. Also, the School District should ensure that appraisals are completed and filed within one year of the lease and it files its Sixteenth Section Trust Land Report with the Secretary of State’s Office each year as required.

District’s Response: The District plans to take the appropriate measures to ensure that all sixteenth section leases will follow the compliance laws with state over sixteenth section lease payments, deposits, and appraisals will be recorded in accordance with all applicable laws. The District and the new Business Manager will be required to strengthen internal control over the sixteenth section leases and payments.

Repeat Finding: Yes.

Finding 9: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Purchasing Documents and Payment of Invoices.

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.

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, Policy 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.

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

- Eighteen claims were missing the invoices from the vendor;
- Fifteen purchases were missing the purchase order and requisitions;
- Twelve purchases were missing purchase requisitions;
- Nine purchase orders were not signed by the District’s Purchase Agent;
- Five invoices were paid after 45 days of being received within the District;
- Four purchase orders were not dated;
- One purchase order was not dated and did not have the purchase amount;
- Two claims were missing the check number and date of payment;
- Two invoices were dated prior to the purchase order date;
- One purchase order is not in sequence; and
- One check was dated before the invoice.

Inadequate controls over maintaining claim documentation could result in fraud, misappropriation, or loss of public funds. Failure to adhere to the proper purchase procedures resulted in the noncompliance with state law and the School’s Board policy.

Recommendation: We recommend the East Tallahatchie School District strengthen internal controls and ensure compliance by assuring all required claims documents are maintained within the District. Also, the School District should ensure all invoices are paid within 45 days of being received in the District.

District's Response: The District plans to amend procedures for purchase requisitions to be sure that all claims are properly documented and to be sure that invoices that require quotes are properly documented. The District will require with the new Business Manager and the new Accounts Payable Clerk to implement internal central processes to correct these deficiencies.

Repeat Finding: No.

Finding 10: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Claims Dockets.

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 service contracts are met and adhered to at all times.

Applicable State Law: *Section 37-7-301(o), Mississippi Code Annotated (1972)* requires the school board to make orders directed to the superintendent of schools for the issuance of pay certificates for lawful purposes on any available funds of the district and to have full controls of the receipt, distribution, allotment and disbursement of all funds provided for the support and operation of the schools of such school district whether such funds be derived from state appropriations, local ad valorem tax collections, or otherwise. The local school board shall be authorized and empowered to promulgate rules and regulations that specify the types of claims and set limits of the dollar amount for payment of claims by the superintendent of schools to be ratified by the board at the next regularly scheduled meeting after payment has been made.

Section 37-9-14(3), Mississippi Code Annotated (1972), states, "All funds to the credit of a school district shall be paid out on pay certificates issued by the superintendent upon order of the school board of the school district properly entered upon the minutes thereof, and all such orders shall be supported by properly itemized invoices from the vendors covering the materials and supplies purchased. All such orders and the itemized invoices supporting same shall be filed as a public record in the office of the superintendent for a period of five (5) years. The superintendent shall be liable upon his official bond for the amount of any pay certificate issued in violation of the provisions of this section. The school board shall have the power and authority to direct and cause warrants to be issued against such district funds for the purpose of refunding any amount of taxes erroneously or illegally paid into such fund when such refund has been approved in the manner provided by law."

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

- From March 2020 through July 2020, the District maintained an excel spreadsheet, which listed the names of the vendor and amounts of the check instead of a claims docket from their software provider;
- No documentation existed that verified that the Board was actually given a copy of a claims docket for five months of the school year; and
- There were 128 claims that were missing from claims dockets; however, they were approved for payment by the District.

Failure to approve all claims paid by the District could result in fraud and/or misappropriation of monies.

Recommendation: We recommend the East Tallahatchie School District strengthen internal controls and ensure compliance by implementing policies and procedures to ensure all pay certificates are included in the claims docket for monthly submission to and approval by the School Board, as required by law.

District's Response: The new staff, Accounts Payable Clerk and Business Manager, will ensure that the claims docket is completed and submitted with the Board packet each month.

Repeat Finding: No.

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 numbering the Board minute pages.

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:

- A detailed list of consent agenda items was not noted for 20 Board meetings;
- Fifteen instances where minute voting procedures were not complied with;

- Fourteen instances where topics such as hiring employees, resignations and student releases were discussed during executive sessions;
- Four detailed lists of discussion items were not documented;
- Two online Board minutes were dated incorrectly;
- One detailed funds transfer was not documented;
- The original budget for 2020 was not spread upon the minutes;
- The purchase of a school bus was approved; however, details pertaining to the purchase were not documented;
- The District is unable to locate the Board minutes for the months of January, March, August, September, October, November, and December 2020; and
- The District utilizes BoardDocs as its official minutes; however, it does not have the necessary controls to be considered the District's official minutes. This system should only be utilized to create and

manage board packets, give access to information, and conduct meetings. Additionally, this system is controlled by the Superintendent.

Inadequate internal controls surrounding the District's Board minutes could result in the State Laws and Regulations being circumvented.

Recommendation: We recommend the East Tallahatchie School District strengthen internal controls and ensure compliance to ensure all minutes in the future and in accordance with state law.

District's Response: The District plans to work with the school board members, School Board Secretary, and new School Board Clerk to ensure all items are documented properly in the Board minutes including agenda items, discussion items, and personnel items according to Board policies.

Repeat Finding: Yes.

Finding 12: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Education Enhancement Fund Cards.

Internal Control Deficiency: An effective system of internal control requires a complete and accurate roster for the distribution of Education Enhancement Fund Cards, as well as completed Teacher Cardholder Agreements should be maintained and emailed to the Mississippi Department of Education by the District's Program Coordinator annually.

Applicable State Law: *Section 37-61-33(3)(a)(iii), Mississippi Code Annotated (1972)*, states, "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"

Finding Detail: During the testing of the School District's Education Enhancement Fund (EEF) procurement cards, the auditor noted the following exceptions:

- Four EEF cards were not issued or signed;
- Three teachers, whose salary were partially federally funded, were issued EEF cards
- One teacher was federally funded; and
- The District could not provide the auditors with an EEF roster that included both the card account number and the signature of the teacher who received a card. The roster listed only the teacher's name, department, position, SSN, DOB, Race, Gender, and School Name, but no signature line.

Inadequate internal controls and procedures surrounding the School District's Education Enhancement Procurement cards could result in the loss or misappropriation, fraud, waste, and abuse of public funds.

Recommendation: We recommend the East Tallahatchie School District strengthen internal controls and ensure compliance by assuring adequate policies and procedures are established and followed the Education Enhancement Procurement card roster is completed and signed as required by the Mississippi Department of

Education. Also, we recommend that the School District ensure there is proper distribution of the procurement cards only to eligible teachers.

District's Response: The District's Business Office and new Business Manager will streamline this process to ensure that cards are issued applicable according to the state laws.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 13: The School District Should Ensure Compliance with State Law over Monthly Financial Reports.

Applicable State Law: *Section 37-9-18(1) (a), Mississippi Code Annotated (1972)*, states, "The State Board of Education shall promulgate rules and regulations concerning the type of financial reports required to be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted."

Mississippi Department of Education Policy Manual, Chapter 71, Rule 71.3 – Required Monthly Reports to be Furnished to Local School Board, states, "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 complete sets of financial reports were not presented to the School Board for 21 out of 22 months reviewed.

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 East Tallahatchie 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 new Business Manager will strengthen processes to make sure that all financial documents are prepared and submitted to the superintendent for board members to review.

Repeat Finding: No.

Finding 14: The School District Should Ensure Compliance with State Law over Its Financial Exchange Transaction System Report.

Applicable State Law: *Section 37-61-21(2), Mississippi Code Annotated (1972)*, states, "On or before the fifteenth day of October of each year, the local school board of each school district, with the assistance of the school district superintendent, shall prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require. The State Board

of Education shall prescribe and provide forms to each school district for this purpose. No additional changes may be made to the financial statements after October 15 of each year.”

Finding Detail: During the review of the School District’s financial statements, the auditor noted that the District could not provide evidence to the filing of its FETS (*Financial Exchange Transaction System*) Report to the Mississippi Department of Education for fiscal year 2019.

Failure to complete and submit the District’s financial statements by October 15th could result in errors or misappropriation of public funds.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by assuring year-end financial statements are completed and submitted to Mississippi Department of Education on or before October 15th each year, as required by state law.

District’s Response: The District plans to submit the FETS report with the State Department of Education as required by law.

Repeat Finding: Yes.

Finding 15: The School District Should Ensure Compliance with State Law over Purchases in Excess of \$50,000.

Applicable State Law: *Section 31-7-13(c), Mississippi Code Annotated (1972)*, requires the District to obtain from the lowest and best bidder after advertising for two (2) consecutive weeks in the local newspaper when the expenditure is in excess of **\$50,000** exclusive of freight and shipping charges.

Section 31-7-13(o), Mississippi Code Annotated (1972), states. “No contract or purchase as herein authorized shall be made for the purpose of circumventing the provisions of this section requiring competitive bids, nor shall it be lawful for any person or concern to submit individual invoices for amounts within those authorized for a contract or purchase where the actual value of the contract or commodity purchased exceeds the authorized amount and the invoices therefor are split so as to appear to be authorized as purchases for which competitive bids are not required. Submission of such invoices shall constitute a misdemeanor punishable by a fine of not less than Five Hundred Dollars (**\$500.00**) nor more than One Thousand Dollars (**\$1,000.00**), or by imprisonment for thirty (30) days in the county jail, or both such fine and imprisonment. In addition, the claim or claims submitted shall be forfeited.”

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

- The District did not advertise for competitive bids for two purchases totaling **\$161,005**;
 - Synergetics - Chromebooks **\$91,715.00**
 - Synergetics – Smart Books **\$69,290.00**
- One purchase order may have been split in order to circumvent purchase laws totaling **\$61,727**; and
 - Synergetics DC’s **\$61,727.50**
- The Synergetic Chromebooks purchase were more than the EPL quote from the vendor.

Failure by the School District to advertise purchases for competitive bids resulted in the District’s noncompliance with state purchasing laws.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by properly obtaining competitive bids for purchases over **\$50,000**, as required by state law.

District's Response: The District plans to amend procedures for purchase requisitions to be sure that all claims are properly documented and to be sure that invoices that require quotes are properly documented. The District will require with the new Business Manager and the new Accounts Payable Clerk to implement internal central processes to correct these deficiencies.

Repeat Finding: No.

Finding 16: The School District Should Ensure Compliance with State Law 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 competitive bids for purchases over **\$5,000** but not over **\$50,000**, exclusive of freight and shipping charges.

Finding Detail: During the testing of purchasing, we noted the following:

- The District did not obtain bids for six purchases totaling **\$78,416**; and
 - Sayle Service **\$11,408.72**
 - Howard Computers **\$43,685.00**
 - Apple, Inc **\$ 5,754.00**
 - C & C Concrete **\$ 5,000.00**
 - BSN Sports **\$ 6,738.79**
 - NAPA **\$ 5,829.37**
- Five (5) purchase orders were split in order to circumvent purchase laws totaling **\$41,558**.
 - Roberson Floor Service **\$12,086.89**
 - Trawik Moody **\$ 8,275.00**
 - Demetrius Biggins **\$ 6,200.00**
 - Office Depot **\$ 5,995.98**
 - Roberson Floor Service **\$ 9,000.00**

Failure to obtain at least two competitive bids resulted in the School District not being in compliance with State purchasing laws.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by properly obtaining at least two bids for purchases over **\$5,000** but not over **\$50,000**, as required by state law.

District's Response: The District plans to amend procedures for purchase requisitions to be sure that all claims are properly documented and to be sure that invoices that require quotes are properly documented. The District will require with the new Business Manager and the new Accounts Payable Clerk to implement internal central processes to correct these deficiencies.

Repeat Finding: No.

Finding 17: The School District Should Ensure Compliance with State Law over the Purchase of School Buses.

Applicable State Law: *Section 37-41-101, Mississippi Code Annotated (1972)*, specifically states no School Board of any District may purchase or lease a school bus for the transportation of its pupils without the authorization of the State Board of Education. Furthermore, for the safety of the District's pupils, all school buses purchased or lease must conform with the specification of the State Board of Education.

Finding Detail: During the testing of the School District's purchase expenditures, the auditor noted the Board approved the purchase of two school buses, totaling **\$135,000**; however, there was no evidence of approval from the Mississippi Department of Education.

Failure to submit and obtain the approval of school bus purchases from the Mississippi Department of Education resulted in a violation of *Section 37-41-101* and could result in the District's school bus purchases not meeting the specifications required for the safety of the District's pupils.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by assuring all school bus purchases have been approved by the Mississippi Department of Education, as required by state law.

District's Response: The District plans to amend procedures for purchase requisitions to be sure that all claims are properly documented and to be sure that invoices that require quotes are properly documented. The District will require with the new Business Manager and the new Accounts Payable Clerk to implement internal central processes to correct these deficiencies.

Repeat Finding: No.

Finding 18: The School District Should Ensure Compliance with State Law over Appropriate Coding at the Functional Level for Expenditures.

Applicable State Law: *Section 37-9-18(3)(b), Mississippi Code Annotated (1972)*, states, "When conducting an audit of public school district, the State Auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing correct and appropriate functional level expenditure codes in expenditures by the school district... Based upon the audit report, the State Auditor shall compile a report on the compliance and noncompliance by all public school districts with correct and appropriate coding at the function level, which report must be submitted to the Chairmen of the Education and Appropriations Committees of the House of Representatives and Senate."

Finding Detail: During the review of the School District's appropriate for expenditures, the auditor noted the following exceptions:

- Four expenditures were incorrectly coded to (2740) vehicle servicing and maintenance services instead of (2620) operating building services;
- Two expenditures were incorrectly coded to (2330) special area administration services instead of (2520) purchasing services;
- Two expenditures were incorrectly coded to (7120) other transfers out instead of (2620) operating building services;
- One expenditure was incorrectly coded to (2225) computer assisted instruction services instead of (2620) operating building services; and
- OSA could not determine the coding of seven claims; due to, the lack of documentation available within the District; therefore, we could not test their coding.

Failure by the School District to properly code expenditures at the functional level could result in the misappropriation of public funds.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by properly coding expenditures, as required by state law.

District's Response: The District plans to amend procedures for purchase requisitions to be sure that all claims are properly documented and to be sure that invoices that require quotes are properly documented. The District will require with the new Business Manager and the new Accounts Payable Clerk to implement internal central processes to correct these deficiencies.

Repeat Finding: No.

Finding 19: The School District Should Ensure Compliance with State Law over Public Depositor's 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 Public Depositor Annual Report, the auditor noted the 2020 Public Depositor Annual Report was not submitted to the Mississippi State Treasurer's Office.

Failure to submit the Public Depositor Annual Report 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 East Tallahatchie School District ensure compliance by assuring to submit the Public Depositor Annual Report annually to the State Treasurer's Office within 30 days of the fiscal year, as required by state law.

District's Response: The District plans to strengthen procedures to ensure that the depository bids are in compliance with state law.

Repeat Finding: Yes.

Finding 20: The School District Should Ensure Compliance with State Law over Approval of Depositories.

Applicable State Law: *Section 37-7-333, Mississippi Code Annotated (1972)*, requires all public funds to be placed 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 1st 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 it can obtain a more favorable rate of interest and less administrative processing.

Finding Detail: During the review of the School District's depositories, the auditor noted the District advertised for depository bids on August 8, 2019; however, Board approval of the depositories could not be located. From July 1, 2019 to current, the School District's bank accounts were not covered under an approved depository.

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

Recommendation: We recommend the East Tallahatchie School District ensure compliance by properly advertising and accepting bids for depositories by July 1st every three years.

District's Response: The District plans to work with all personnel including the new business manager to ensure that the depository bids are documented properly.

Repeat Finding: Yes.

Finding 21: The School District Should Ensure Compliance with State Law over Annual Sixteenth Section Schools Trust Land Report.

Applicable State Law: *Section 29-1-3(3), Mississippi Code Annotated (1972)*, states, "Any state, county or municipal official shall supply annually to the state land commissioner such sixteenth section management information as shall be requested by the commissioner. Such information shall include, but not be limited to, the following items pertaining to all new leases, rights of way, easements and sales of school trust lands: the number of acres in each parcel; the consideration paid for each transaction; the length and expiration of each lease, easement, or right of way; and the use to be made of each parcel. The applicable public official shall likewise report information requested by the state land commissioner upon principal fund investments. Such information shall include, but not be limited to, the following items: amounts of monies invested; dates of investment; where invested; form of investment; rate of return of each investment; and the amount of revenue earned upon each investment."

Finding Detail: During the review of the School District's sixteenth section revenue, the auditor noted the District did not file its 2019 Sixteenth Section School Trust Land Report with the Mississippi Secretary of State's Office.

Failure to file the Sixteenth Section School Trust Land Report as required by the Mississippi Secretary of State resulted in the District's noncompliance with *Mississippi Code Section 29-1-3(3)*.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by ensuring to file the District's annual report is filed with the Mississippi Secretary of State by the specified date, as required by state law.

District's Response: The District plans to take the appropriate measures to ensure that all sixteenth section leases will follow the compliance laws with state over sixteenth section lease payments, deposits, and appraisals will be recorded in accordance with all applicable laws. The District and the new Business Manager will be required to strengthen internal control over the sixteenth section leases and payments.

Repeat Finding: Yes.

Finding 22: The School District Should Ensure Compliance with State Law over Sixteenth Section Shared Townships.

Applicable State Law: *Section 29-3-119, Mississippi Code Annotated (1972)*, states, “The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the “custodial school district”) shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district’s pro rata share of the available township, as determined from the lists of children prepared pursuant to *Section 29-3-121, Mississippi Code Annotated (1972)*, promptly after collecting such funds.”

Finding Detail: During the testing of the School District’s sixteenth section revenue, the auditor noted there was no revenue from sixteenth sections shared with neighboring school districts: Grenada, West Tallahatchie, and Greenwood-Leflore County. Due to the District not maintaining the educable child lists from its school districts within its shared township, OSA was unable to determine the amount of sixteenth section revenue owed.

Failure to properly share sixteenth section revenue as the custodial school district could result in the misappropriation of public funds and resulted in noncompliance with state law.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by assuring all sixteenth section revenue is promptly shared with appropriate Districts, as required by state law.

District’s Response: The East Tallahatchie School District plans to correct this finding by following the proper procedures as it relates to the *Mississippi Code Section 29-3-119*. During the transition of staff in the East Tallahatchie School District, the lack of business managers and key staff members that are able to make sure that these responsibilities are not overlooked. The Superintendent will take an active role in ensuring that this is corrected going forward.

Repeat Finding: No.

Finding 23: The School District Should Ensure Compliance with State Law 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 lists were not filed for the 2018-2019 and 2019-2020 school years.

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

Recommendation: We recommend the East Tallahatchie School District ensure compliance by assuring all lists are prepared and filed with the Superintendents of custodial districts by December 31st of each year, as required by state law.

District's Response: The East Tallahatchie School District plans to correct this finding by ensuring that all key staff responsible for will follow the state laws as requested. The Superintendent will take an active role in ensuring that this is corrected going forward as the district continues to work to ensure key staff and office personnel are able to adequately report the educable child lists to the proper school districts going forward.

Repeat Finding: No.

Finding 24: The School District 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 testing of the School District's Statements of Economic Interest, the auditor noted three Board members did not file a Statement of Economic Interest by May 1st.

Failure to file a Statement of Economic Interest could result in fines being assessed and a civil judgement being enrolled against the delinquent filers and resulted in noncompliance with state law.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by assuring Statements of Economic Interest are filed annually, no later than May 1st of each year that such official holds office, regardless of the duration.

District's Response: The District plans to work with the Board Members to ensure that these are completed in a timely manner.

Repeat Finding: No.

Finding 25: The School District Should Ensure Compliance with State Law over Background Checks.

Applicable State Law: *Section 37-9-17(2), Mississippi Code Annotated (1972)*, states "Superintendents/ directors of schools under the purview of the State Board of Education, the superintendent of the local school district and any private firm under contract with the local public school district to provide substitute teachers to teach during the absence of a regularly employed schoolteacher shall require, through the appropriate governmental authority, that 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 nonlicensed employee at a school and not previously employed in such school under the purview of the State Board of Education or at such local school district prior to July 1, 2000. In order to determine the applicant's suitability for employment, the applicant shall be fingerprinted."

Finding Detail: During the testing of the School District's certified employees, the auditor noted six out of 20 certified employees' background checks did not include fingerprinting.

Failure to properly verify and file new hires' backgrounds, could result in individuals with unsuitable backgrounds being hired within the District.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by assuring criminal background checks include fingerprinting of new hires and are maintained in their personnel files, as required by state law.

District's Response: The District plans to strengthen internal control processes to be sure every employee received a background/fingerprint check before being hired.

Repeat Finding: No.

Finding 26: The School District Should Ensure Compliance with State Law over Certified Employees Contracts and Salaries.

Applicable State Law: *Section 37-9-23, Mississippi Code Annotated (1972)*, states, "The superintendent shall enter into a contract with each assistant superintendent, principal, licensed employee and person anticipating graduation from an approved teacher education program or the issuance of a proper license before October 15 or February 15, as the case may be, who is elected and approved for employment by the school board. Such contracts shall be in such form as shall be prescribed by the State Board of Education and shall be executed in duplicate with one (1) copy to be retained by the appropriate superintendent and one (1) copy to be retained by the principal, licensed employee or person recommended for a licensed position contracted with. The contract shall show the name of the district, the length of the school term, the position held (whether an assistant superintendent, principal or licensed employee), the scholastic years which it covers, the total amount of the annual salary and how same is payable...If any superintendent, other than those elected, principal, licensed employee or person recommended for a licensed position who has been elected and approved shall not execute and return the contract within ten (10) days after same has been tendered to him for execution, then, at the option of the school board, the election of the licensed employee and the contract tendered to him shall be void and of no effect."

Attorney General Opinion 1984 WL 247596 and Section 37-9-43, Mississippi Code Annotated (1972), states, "It shall be unlawful for a superintendent, principal, or teacher to be paid for any services as such until a written contract has been executed as is provided and required by this chapter. If any county superintendent or municipal separate school district superintendent shall make any such payment prior to the execution of the contract he shall be civilly liable for the amount thereof, and, in addition, the county superintendent shall be liable upon his bond. Therefore, it is our opinion that since teachers can only be paid pursuant to the written contract, they could not, under the circumstances you describe, receive pay for extra work which is not a part of their contract with the school District."

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 School District’s contracts and payroll, the auditor noted the following exceptions out of 20 tested:

- Thirteen certified employees were paid **\$17,040** over their Board – approved contract.
- Eleven contracts were not signed by the Superintendent, and one was not signed by the employee;
- Four teachers did not have contracts ready and available for testing in the District;
- Four contracts were signed by the certified employee after the start date of employment;
- Three certified employees were paid **\$6,450** less than their Board – approved contract
- The start dates for two returning certified employees’ contracts does not align with the fiscal year; therefore, the employee began working before an approved contract;
- Two contracts were signed by the Superintendent before the certified employee;
- One returning employee had two different contracts with different start dates; however, the Superintendent only signed one contract; and
- OSA could not obtain evidence of the Board approved salary supplements.

Failure to have a written contract properly executed and to make payment to a licensed employee prior to the execution of the contract shall make the Superintendent civilly liable for the amount thereof, and in addition shall be liable upon his bond. Also, failure to ensure salaries were paid based on the appropriate salary scales resulted in the District both overpaying and underpaying certified employees.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by implementing adequate policies and procedures to ensure contracts are properly executed prior to paying the salary of its certified employees. Also, the School Board, Superintendent, and Management should ensure compliance with *Section 37-9-37*, by verifying all salaries are paid according to the appropriate salary scales.

District’s Response: The new Business Manager will strengthen internal control processes to ensure that all teachers have contracts once they have been board approved. The District plans to strengthen internal control processes to ensure they have been properly signed and dated. Additional training will be provided for the new Business Manager and the new Accounts Payable Clerk. The new Business Manager will strengthen internal control processes to ensure that all employees are paid accurately. The new Business Manager will work to strengthen internal control in issuing contracts and ensuring all certifications are attached. The District will also work to correct deficiencies in the signing of the contracts.

Repeat Finding: No.

Finding 27: The School District Should Ensure Compliance with State Law 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.”

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:

- Two retirees were paid more than the allowed salary by PERS totaling **\$11,716**;
- Two PERS Form 4Bs did not have evidence of being filed within five days of rehire;
- Two PERS Form 4Bs were not properly completed accurately;
- Auditors were unable to determine if nine employees were PERS retirees or part-time employees due to lack of internal controls over personnel files; therefore, compliance with PERS requirements could not be determined;
- The District did not have the required PERS Form 4Bs for three retirees; therefore, auditors were unable to determine if the District is in compliance with PERS requirements; and
- The District paid four retirees as independent contractors; however, the District was unable to provide the determination questionnaires required to be submitted to PERS, the letters from PERS stating the individuals were determined to be independent contractors nor the contracts between the District and the independent contractors. Due to this, OSA could not determine if the District was in compliance with PERS.

Failure to file and complete the Form 4Bs and the independent contractor’s 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 East Tallahatchie School District ensure compliance with state law and PERS by properly paying employees, completing, and filing Form 4Bs within five days. Also, the School District obtain and retain all pertinent information of a PERS retiree who will be performing services as an independent contractor, including a copy of the notification received by the retiree from PERS.

District’s Response: The new Business Manager will strengthen internal control process to be sure that PERS employees are paid correctly. The District payroll clerk will strengthen process to ensure all PERS forms are completed correctly for retired employees. The District’s new Business manager will strengthen internal control processes to ensure that PERS forms are submitted for retirees that work as independent contracts in the District.

Repeat Finding: Yes.

Finding 28: The School District Should Ensure Compliance with State Law over Budget Certifications.

Applicable State Law: *Section 37-61-9(1), Mississippi Code Annotated (1972)*, states, “On or before the fifteenth day of August of each year, the local school board of each school district, with the assistance of the superintendent of schools, shall prepare and file with the levying authority for the school district, as defined in *Section 37-57-1*, at least two (2) copies of a budget of estimated expenditures for the support, maintenance and operation of the public schools of the school district for the fiscal year commencing on July 1 of such year. Such budget shall be prepared on forms prescribed and provided by the State Auditor and shall contain such information as the State Auditor may require.”

Finding Detail: During the review of the School District’s original budgets, the auditor noted that the District did not file its 2019 and 2020 original budgets with the Tallahatchie Chancery Clerk by August 15th.

Failure to file the original budget with the levying authority by August 15th could result in the levying of insufficient funds for the District's budget.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by assuring the original budget is certified with the tax levying authority by August 15, as required by state law.

District's Response: The District plans to follow state compliance laws to ensure budgets are submitted to Chancery Clerk in a timely manner.

Repeat Finding: No.

Finding 29: The School District Should Ensure Compliance with State Law over Ad Valorem Requests, Advertisements, and Escrows.

Applicable State Law: *Section 27-39-207(1), Mississippi Code Annotated (1972)*, states, "Unless the increased revenue in a budget is derived solely from the expansion of a school district's ad valorem tax base, a school district shall not budget an increase in an ad valorem tax effort in dollars for support of the school district unless it first advertises its intention to do so at the same time that it advertises its intention to fix its budget for the next fiscal year."

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."

Section 37-57-104(1) Mississippi Code Annotated (1972), states, "Each school board shall submit to the levying authority for the school district a certified copy of an order adopted by the school board requesting an ad valorem tax effort in dollars for the support of the school district. The copy of the order shall be submitted by the school board when the copies of the school district's budget are filed with the levying authority pursuant to *Section 37-61-9*. Upon receipt of the school board's order requesting the ad valorem tax effort in dollars, the levying authority shall determine the millage rate necessary to generate funds equal to the dollar amount requested by the school board."

Section 37-57-107, Mississippi Code Annotated (1972), states, "taxes levied for school district purposes pursuant to *Sections 37-57-105* and *37-57-1* shall not exceed the aggregate receipts from those sources during any one (1) of the immediately preceding three (3) fiscal years."

Finding Detail: During the testing of the School District's limitation of ad valorem taxes and homestead exemption reimbursements, the auditor noted the District received more ad valorem taxes and homestead exemptions reimbursements than the amount allowed by *37-57-107, Mississippi Code Annotated (1972)*. This excess is the result of the District not requesting ad valorem from the County, advertising the tax increase in the local newspaper, and receiving more tax revenue from the County than the District's base amount.

Due to the calculation resulting in a violation of *Section 37-57-1*, the excess collected during 2018-2019 and 2019-2020 years totaling **\$472,508**, should be restricted for one year.

Recommendation: We recommend the East Tallahatchie School District ensure compliance by implementing adequate policies and procedures to properly account for ad valorem taxes and homestead exemptions, and escrow the excess noted totaling **\$472,508**.

District's Response: The East Tallahatchie School District will advertise in the local newspaper according to policy. The East Tallahatchie School District plans to correct this finding by making sure that the ad valorem and homestead exceptions are correctly advertised in the local newspaper to avoid receiving excess funding.

Repeat Finding: Yes.

Finding 30: The School District Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *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 37-9-27, Mississippi Code Annotated (1972), states, "The superintendent of any school district, before entering upon the duties of his office, shall furnish a good and sufficient surety bond in the penal sum of One Hundred Thousand Dollars (\$100,000.00), with sufficient surety. Such bond shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located, and shall be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund."

Section 37-39-21, Mississippi Code Annotated (1972), states, "The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000.00), with sufficient surety. Such bonds shall be payable, conditioned and approved in the manner provided by law, and shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located. The premium on said bond shall be paid out of the school district(s) maintenance fund(s)."

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

- Seven surety bonds were not original bonds; instead, they were "renewals" for:
 - Five Board members;
 - Superintendent; and
 - Child Nutrition Director
- Five Board members were not bonded for the term of office prior to June 9, 2020 and all bonds were not filed at the Chancery Clerk's Office. Additionally, the Board members' contracts had not been filed since April 4, 2017; and
- The District could not provide copies of surety bonds for school year 2019 – 2020 for:
 - Four Board members,
 - Payroll Director; and
 - Federal Programs/Curriculum Director

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 East Tallahatchie 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.

District's Response: The District will strengthen internal control processes to be sure that all staff member bonds are up to date and file according to state law with the Chancery Clerk's office.

Repeat Finding: Yes.

End of Report



East Tallahatchie School District

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COMPLIANCE REVIEW FINDINGS

February 22, 2023

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

The East Tallahatchie School District has reviewed the findings from the Limited Internal Control and Compliance Review Management Report conducted for the year ended June 30, 2020. Below you will find the responses and the corrective action plans.

Finding 1: Strengthen Internal Controls over Board and Superintendent Oversight

Response: The District concurs with the finding.

Corrective Action Plan:

- A. A new business manager and superintendent have been hired to replace the previous business manager and superintendent. Salaries entered into the accounting software are verified with the board approved personnel recommendations and contract prior to processing payroll.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 2: Strengthen Internal Controls and Ensure Compliance with State Law over Financial Operations

Response: The District concurs with the finding.

Corrective Action Plan:

- A. As of July 1, 2022, the District complies with the School Board Policy, Section D, Fiscal Management, Policy Code DGA – Fund Balance and is no longer in serious financial conditions. All revenue is being posted and bank reconciliations are being completed timely.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 3: Strengthen Internal Controls over Bank Reconciliations

Response: The District concurs with the finding.



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Corrective Action Plan:

- A. Bank reconciliations are being completed timely and reconciled to the general ledger monthly.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 4: Strengthen Internal Controls and Ensure Compliance with State Law over Superintendent's Contract

Response: The District concurs with the finding.

Corrective Action Plan:

- A. A new superintendent and business manager have been hired to replace the previous personnel. Salaries entered into the accounting software are verified with the board approved personnel recommendations and contracts prior to processing payroll.
In addition, board members and board clerk will be informed of the requirements regarding the open meetings act, special called board meetings, executive sessions and keeping complete and adequate minutes for all board meetings. Board members and board clerk will also attend applicable board training.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed for reviewing payroll processing and the additional board meeting requirements will be completed by June 30, 2023.
- D. NA

Finding 5: Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The amended budget for fiscal year ending June 30, 2022 and the original budget for fiscal year ending June 30, 2023 have been completed, board approved and signed. The budgets have been attached as an addendum to the approved board minutes.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 6: Strengthen Internal Controls over Activity Funds Cash Receipts and Deposits

Response: The District concurs with the finding.

Corrective Action Plan:

- A. Event forms are reconciled for each game and/or event. The date of the event is reviewed and



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compared to the deposit slip date to ensure the deposits are being made timely unless the bank depository is closed. If the bank depository is closed, the deposits are to be made the following business day.

Event form cash receipts and deposits are reconciled to the ticket sales; however, individuals are handling cash and mistakes may be made. The difference noted between the ticket sales and deposits were not material and appear reasonable.

- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 7: Strengthen Internal Controls and Ensure Compliance with State Law over Travel Expense Reimbursements

Response: The District concurs with the finding.

Corrective Action Plan:

- A. Travel request forms are required to be approved and signed by the superintendent prior to travel. Travel vouchers are required to be board approved through the claims docket and signed by the superintendent prior to travel reimbursements to employees. School District Policy, Section D, Fiscal Management, Policy DJ – Expense Reimbursements will be updated to include travel reimbursement rates to coincide with the approved DFA rates. Mileage reported will be reviewed to ensure employees are only reimbursed for actual district mileage.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action to be completed by fiscal year ending June 30, 2023.
- D. NA

Finding 8: Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Payments, Deposits and Appraisals

Response: The District concurs with the finding.

Corrective Action Plan:

- A. Sixteenth section activities have been reassigned to a responsible employee and is currently updating and implementing procedures to ensure compliance with state laws.
- B. Marvell Hudson, Superintendent and Mike Ainsworth, Sixteenth Section Manager
- C. Action has been completed pertaining to some of the sixteenth section requirements and the remaining actions to be completed by fiscal year ending June 30, 2024.
- D. NA

Finding 9: Strengthen Internal Controls and Ensure Compliance with State Law over Purchasing Documents and Payment of Invoices



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Response: The District concurs with the finding.

Corrective Action Plan:

- A. The school district has begun creating purchasing packets to ensure all items are included prior to purchasing and payment of invoices. Instructions will be compiled to ensure all employees making purchases provide all adequate documentation prior to the purchasing of goods and/or commodities. Also, the accounts payable clerk and the business manager are reviewing requisitions and attachments prior to approving the purchase order and all invoices provided for payment include the requisition, purchase order, quotes/bids/state contract/ITS EPL contract, if applicable.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action to be completed by fiscal year ending June 30, 2023.
- D. NA

Finding 10: Strengthen Internal Controls and Ensure Compliance with State Law over Claims Dockets

Response: The District concurs with the finding.

Corrective Action Plan:

- A. All claims' dockets shall be attached to the board agenda and included in the board packet for review and approval by the board members prior to payments. The minutes of the board meeting shall include the claims docket numbers and the total dollar amount of the docket as presented to the board for approval.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action to be completed by fiscal year ending June 30, 2023.
- D. NA

Finding 11: Strengthen Internal Controls and Ensure Compliance with State Law over Board Minutes

Response: The District concurs with the finding.

Corrective Action Plan:

- A. Open meetings law to be provided to the board members and inform the board members and the board clerk of all required board items to be detailed in the minutes of the board meetings. Board members will be informed of the requirements regarding special called board meetings, executive sessions and keeping complete and adequate minutes for all board meetings. Continued training shall also be implemented for the board members and the board clerk.
- B. Marvell Hudson, Superintendent
- C. Action to be completed by fiscal year ending June 30, 2023.
- D. NA

Finding 12: Strengthen Internal Controls and Ensure Compliance with State Law over Education Enhancement Fund (EEF) Procurement Cards



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Response: The District concurs with the finding.

Corrective Action Plan:

- A. A complete and accurate roster will be maintained and updated regarding the EEF Cards. All teachers receiving a card will sign at a minimum the teacher cardholder agreement. The roster and the signed teacher cardholder agreement will be maintained on file in the business office.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 13: Strengthen Internal Controls and Ensure Compliance with State Law over Monthly Financial Reports

Response: The District concurs with the finding.

Corrective Action Plan:

- A. Required monthly financial reports are being furnished to the board for approval; however, the individual reports need to be listed in the minutes of the board meetings and attached to the minutes or as an addendum in the board packet.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed as monthly reports are being furnished to the board for approval and the remaining steps to be completed by fiscal year ending June 30, 2023.
- D. NA

Finding 14: Strengthen Internal Controls and Ensure Compliance with State Law over Its Financial Exchange Transaction System Report (FETS)

Response: The District concurs with the finding.

Corrective Action Plan

- A. The District submitted its fiscal year ending June 30, 2022 FETS file to the Mississippi Department of Education prior to the October 15th, 2022 deadline.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 15: Strengthen Internal Controls and Ensure Compliance with State Law over Purchases in Excess of \$50,000 (Effective July 1, 2022 the amount is \$75,000)

Response: The District concurs with the finding.

Corrective Action Plan:



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- A. The District has begun creating purchasing packets to ensure all items are included prior to purchasing and payment of invoices. Instructions will be compiled and posted to the district website to ensure all employees making purchases have adequate documentation prior to purchasing. Also, the accounts payable clerk and the business manager are reviewing requisitions and attachments prior to approving the purchase order and all invoices provided for payment include the requisition, purchase order, quotes/bids/state contract/ITS EPL contract, if applicable.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action to be completed by fiscal year ending June 30, 2023.
- D. NA

Finding 16: Strengthen Internal Controls and Ensure Compliance with State Law over Purchases over \$5,000 but not over \$50,000 (Effective July 1, 2022 the \$50,000 shall be changed to \$75,000)

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District has begun creating purchasing packets to ensure all items are included prior to purchasing and payment of invoices. Instructions will be compiled and posted to the district website to ensure all employees making purchases have adequate documentation prior to purchasing. Also, the accounts payable clerk and the business manager are reviewing requisitions and attachments prior to approving the purchase order and all invoices provided for payment include the requisition, purchase order, quotes/bids/state contract/ITS EPL contract, if applicable.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action to be completed by fiscal year ending June 30, 2023.
- D. NA

Finding 17: Strengthen Internal Controls and Ensure Compliance with State Law over School Bus Purchases

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District has begun creating purchasing packets to ensure all items are included prior to purchasing and payment of invoices for school bus purchases including vendor specification sheet, completed and approved state department of education application, and school district board approval. Also, the accounts payable clerk and the business manager are reviewing requisitions and attachments prior to approving the purchase order and ensure all invoices provided for payment include the requisition, purchase order, quotes/bids/state contract/ITS EPL contract, if applicable.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA



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Finding 18: Strengthen Internal Controls and Ensure Compliance with State Law over Appropriate Coding at the Functional Level of Expenditures

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The expenditure coding is being reviewed by the business manager prior to entering into the accounting software; however, the business manager is new and still learning appropriate codes.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action to be completed by fiscal year ending June 30, 2023.
- D. NA

Finding 19: Strengthen Internal Controls and Ensure Compliance with State Law over Public Depositor's Annual Report

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The public depositor's annual report has been submitted for June 30, 2022 timely.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 20: Strengthen Internal Controls and Ensure Compliance with State Law over Approval of Depositories

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District has advertised, accepted and approved depository bids for the current fiscal year.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 21: Strengthen Internal Controls and Ensure Compliance with State Law over Annual Sixteenth Section Schools Trust Land Report

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District sixteenth section land manager has submitted the sixteenth section school trust land reports for fiscal year ending June 30, 2022 timely.
- B. Marvell Hudson, Superintendent and Mike Ainsworth, Sixteenth Section Land Manager



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- C. Action has been completed.
- D. NA

Finding 22: Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Shared Townships

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District is currently implementing internal controls to develop a process in determining correct residency data entered into the student software so that applicable educable children's list may be developed and determined for fiscal year end calculations of sixteenth section revenues.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager, and Mike Ainsworth, Sixteenth Section Land Manager
- C. Educable children's list to be prepared and submitted to the appropriate schools by calendar year end December 31, 2023 and revenues to be determined and shared by fiscal year ending June 30, 2024.
- D. NA

Finding 23: Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Educable Child Lists

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District is currently implementing internal controls to develop a process in determining correct residency data entered into the student software so that applicable educable children's list may be developed and determined for fiscal year end calculations of sixteenth section revenues.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager, and Mike Ainsworth, Sixteenth Section Land Manager
- C. Educable children's list to be prepared and submitted to the appropriate schools by calendar year end December 31, 2023 and revenues to be determined and shared by fiscal year ending June 30, 2024.
- D. NA

Finding 24: Strengthen Internal Controls and Ensure Compliance with State Law over Statements of Economic Interest

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District will add reminders to the board agendas to remind current board members to complete their economic interest statements by May 1st each year.



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- B. Marvell Hudson, Superintendent and the Current Board Members
- C. Action to be completed by May 1, 2023.
- D. NA

Finding 25: Strengthen Internal Controls and Ensure Compliance with State Law over Background Checks

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The payroll clerk and business manager are reviewing payroll files to ensure all background checks are completed on current employees that were hired subsequent to July 1, 2000. If the background check is missing, then one will be completed.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action to be completed by fiscal year ending June 30, 2023.
- D. NA

Finding 26: Strengthen Internal Controls and Ensure Compliance with State Law over Certified Employees Contracts and Salaries

Response: The District concurs with the finding.

Corrective Action Plan:

- A. A new superintendent and business manager have been hired to replace the previous personnel. Salaries entered into the accounting software are verified with the board approved personnel recommendations and contracts are issued and approved prior to processing payroll.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 27: Strengthen Internal Controls and Ensure Compliance with State Law over Reemployment of Retired Public Employees

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District is implementing steps to determine if any new hires are retired public employees so that PERS Form B can be completed and submitted timely to PERS. In addition, all retired employees hired as independent contractors shall complete the determination questionnaire for independent contractors prior to either board approved contract or issuing purchase orders, whichever is applicable.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action to be completed for fiscal year ending June 30, 2024.



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D. NA

Finding 28: Strengthen Internal Controls and Ensure Compliance with State Law over Budget Certifications

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The original budget for fiscal year ending June 30, 2023 has been submitted to the chancery clerk by the August 15th, 2022 deadline.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed.
- D. NA

Finding 29: Strengthen Internal Controls and Ensure Compliance with State Law over Ad Valorem Requests, Advertisements, and Escrows

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District will advertise its intent to increase the ad valorem tax budget, if applicable.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action has been completed for fiscal year ending June 30, 2023.
- D. NA

Finding 30: Strengthen Internal Controls and Ensure Compliance with State Law over Surety Bonds

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District is currently reviewing the surety bonds to determine necessary steps and applicable employees that require a surety bond.
- B. Marvell Hudson, Superintendent and Tinisha Williams, Business Manager
- C. Action to be completed by fiscal year ending June 30, 2023.
- D. NA

Sincerely,

Mr. Marvell Hudson
Superintendent