

Grenada 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
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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

**Shad White
AUDITOR**

December 2, 2021

Limited Internal Control and Compliance Review Management Report

Grenada School District
253 South Main Street
Grenada, Mississippi 38901

Members of the Grenada School District School Board:

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

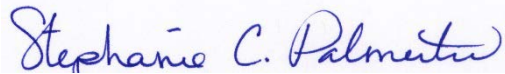
1. Strengthen Internal Controls over Activity Funds Cash Receipts and Deposits;
2. Strengthen Internal Controls over Travel Reimbursements;
3. Ensure Compliance with State Laws over Budgeted Expenditures;
4. Ensure Compliance with State Laws over Its Backgrounds Checks;
5. Ensure Compliance with State Laws over Reemployment of Retired Public Employees;
6. Ensure Compliance with State Laws over Sixteenth Section Appraisals and Taxes
7. Ensure Compliance with State Laws over Surety Bonds; and
8. Ensure Compliance with Federal Regulations over Children Internet Protection Act.

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

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

I hope you find our recommendations enable the Grenada School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,



STEPHANIE PALMERTREE, CPA, CGMA
Director, Financial and Compliance Audit
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Grenada School District for the year ended June 30, 2020. The Office of the State Auditor's staff members participating in this engagement included Brandon Armstrong, Kendall Cavett, Morgan Daniels, and Veronica Barton.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with *Section 7-7-211, Mississippi Code Annotated (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We identified a deficiency that we have noted under the heading **OTHER CONTROL DEFICIENCY**.

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

INTERNAL CONTROL DEFICIENCIES

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

Internal Control Deficiency: *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread-way Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets to be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Finding Detail: During the testing of School District's activity fund receipts deposits, auditors noted the following exceptions, out of nineteen (19) tested:

- Fifteen (15) deposits were between two (2) to thirteen (13) business days after monies were receipted;
- Five (5) instances where deposits were less than ticket sales, totaling **\$130**; and
- Six (6) deposits were in excess of ticket sales, totaling **\$97**.

Inadequate internal controls, related to activity fund revenue collection and depositing could result in a loss of assets and improper revenue recognition.

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

Management's Response: Sequentially numbered tickets will continue to be used for events and collected monies reconciled. Game receipts will be deposited the next business day.

Repeat Finding: No.

OTHER DEFICIENCY AND NONCOMPLIANCE WITH STATE LAW

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

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

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

Finding Detail: During the review of the School District's travel reimbursements, auditors noted the following exceptions out of the thirty (30) tested:

- One (1) travel voucher was not supported by a receipt showing payment by the employee;
- Five (5) meal reimbursements were **\$30** above the maximum daily limit allowed by the Department of Finance and Administration; and
- Three (3) travel vouchers did not have documentation of the conventions' agenda to verify meals were not served.

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

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

Management's Response: The vast majority of school travel is related to attendance of annual conferences, professional development, and student activities. Supervisory personnel must approve employee travel reimbursement by signing travel vouchers. Conferences for organizations like MASS, MASBO, etc. are annually attended by most school districts in our state. Activity sponsors routinely travel with students as they participate in events and in doing so, sometimes incur travel expenses. We didn't understand that the Department of Finance and Administration (DFA) per diem for meals are different than federal allowances. The District will

change meal reimbursement from federal rates to DFA approved rates. Also, we will withhold meal reimbursements for conferences where meals are provided.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 3: The School District Should Ensure Compliance with State Laws over Budgeted Expenditures, Signing, and Approving the Final Amended Budget.

Applicable State Law: *Section 37-61-19, Mississippi Code Annotated (1972)*, states, “It shall be unlawful for any contract to be entered into or any obligation incurred or expenditure made in excess of the resources available for such fiscal year. Any member of the school board, superintendent of schools, or other school official, who shall knowingly enter into any contract, incur any obligation, or make any expenditure in excess of the amount available for the fiscal year shall be personally liable for the amount of such excess.”

The *Mississippi State Board of Education Accounting Manual*, states, “The original and amended budgets shall be signed and dated by the board president and secretary. Signed copies of all approved budgets must be filed for safekeeping and audit review.”

Finding Detail: During the review of the School District’s budgeting expenditures for fiscal year 2020, auditors noted the following exceptions:

- The District’s actual expenditures for Fund 2090 (Extended School Year) exceeded the budgeted expenditures in the amount of **\$3,608**; and
- The District’s final amended budget was not signed and approved by the Board President.

Failure to ensure there are available resources for all expenditures could result in deficit fund balances. Also, the Board’s President failure to sign and approve the final amended budget resulted in the noncompliance with *Miss. Code Section 37-61-19*.

Recommendation: We recommend the Grenada School District ensure compliance over budgeting by ensuring all funds have available resources before expenditures are approved, and the final amended budget is signed and approved by the Board President.

Management’s Response: The ESY Project can span fiscal years. Excess spending in this case pertained to the previous year’s budget. Carryforward spending for the 2018 ESY Project was not budgeted in 2019. While approved ESY Project Budgets were not exceeded, the carryforward spending was not budgeted in the Board approved budget. We will watch this in the future. The Board President voted via teleconference to approve the budget. In the future, we will have Board Members sign required documents at the next Board meeting.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Laws over Obtaining and Maintaining Background Checks.

Applicable State Law: *Section 37-9-17, Mississippi Code Annotated (1972)*, states “Current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board

or at such local school district prior to July 1, 2000.” Ultimately, the criminal records information and registry must be kept on file for any and all new hires. Additionally, employees employed under the recommendation of a personnel supervisor may not be paid compensation in excess of their approved contract without Board approval.

Finding Detail: During the review of the School District’s certified employees’ files, auditors noted the District did not obtain background checks for four (4) out of 20 of its certified employees reviewed.

Failure to obtain background checks of all new hires could result in a wrongful hire of an individual.

Recommendation: We recommend the Grenada School District ensure compliance over personnel matters by strengthening controls to ensure criminal background checks are obtained and maintained in the personnel files of its employees, as required by state law.

Management’s Response: Background checks are performed on all employees. Verification documentation will be maintained.

Repeat Finding: No.

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

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

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, auditors noted the following exceptions, out of thirty-four (34) reviewed:

- Two (2) retirees were paid more than the allowed salary by PERS, totaling **\$1,647**;
- Twenty-eight (28) PERS Form 4Bs did not have evidence of being filed within five (5) days of rehire; and
- Sixteen (16) PERS Form 4Bs were not filed within five (5) days of rehire.

Failure to file and complete the Form 4B, and comply with *Section 27-11-127(4)* could result in overpayment of a retiree and the School District being assessed penalties by PERS.

Recommendation: We recommend the Grenada School District Payroll Clerk ensure compliance of rehiring retired employees by properly paying employees, completing, and submitting Form 4Bs within five (5) days to PERS, as required by state law and regulations.

Management’s Response: Retiree approved annual compensation will be monitored through the year to ensure approved amounts are not exceeded. PERS Form 4Bs will be completed properly, filed timely, and delivery documented.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Laws over Sixteenth Section Taxes and Appraisals.

Applicable State Law: *Section 29-3-57 Mississippi Code Section (1972)*, states, “Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances were present, and the Board shall inaugurate the proper legal proceedings to terminate such lease.”

Section 27-35-71, Mississippi Code Annotated (1972), states, “Sixteenth section lands reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be liable, after the same shall have been leased, to be taxes as other lands are taxed during the continuance of the lease, but in case of sale thereof for taxes, only the title of the lessee or his heirs or assigns shall pass by the sale.” In addition, the standard lease agreement used by the district between the lessee and lessor states, “Lessee shall pay all taxes levied, if any, on said property on time to prevent default.”

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*.” Additionally, management is responsible for ensuring adequate internal controls over the collections for sixteenth section lease revenue.

Finding Detail: During the review of the School District’s sixteenth section leases, auditors noted the following exceptions:

- Four (4) lease agreements did not have files for each lease, which would include documentation of appraisals; and
- Taxes were not current on one (1) lease; however, the lease agreement was not terminated.

Failure to terminate lease agreements due to non-payment of taxes and appoint appraisers resulted in noncompliance with state laws and regulations.

Recommendation: We recommend the Grenada School District ensure compliance over sixteenth section leases by ensuring taxes are current and an appraiser is appointed one (1) year before the rental of sixteenth section land, as required by state laws and regulations.

Management’s Response: District will continue efforts to collect payment of taxes due on leased 16th Section Lands. Board will be updated monthly of any extenuating circumstances related to individual cases.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Laws over Surety Bonds.

Applicable State Law: *Section 25-1-15(2), Mississippi Code Annotated (1972)*, states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the

securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.”

Section 37-6-15, Mississippi Code Annotated (1972), states, “Before entering upon the discharge of the duties of his office, each member of the school board shall give a surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety, to be payable conditioned and approved in the manner provided by law. The school board may execute a blanket bond for each school district official and employee (including school business managers and any other employee who receipts and/or disburses school district funds) in the penalty of Fifty Thousand Dollars (\$50,000), unless a different penalty is prescribed by statute, to 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 37-9-27, 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 Dollars (\$100,000.00), with sufficient surety.”

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), with sufficient surety.”

Finding Detail: During the review of the School District’s surety bonds, auditors noted the following exceptions:

- One (1) Purchase Agent was not bonded for fiscal year 2019;
- The Superintendent’s bond is a continuation certificate; and
- Three (3) Board members’ bonds are continuation certificates.

A “continuation certificate” is a document that extends the life of the original surety bond. A continuation certificate only covers the current bonding periods. 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 Grenada School District ensure compliance over surety bonds by securing new bonds every four (4) years concurrent with the normal election cycle of the Governor or 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.

Management’s Response: Original bonds will be secured for the three (3) Board members noted who have continuation bonds only.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance over Federal Laws over *Children’s Internet Protection Act*.

Applicable Federal Law: The *Children’s Internet Protection Act*, states, “Schools and libraries subject to CIPA may not receive the discounts offered by the E-rate program unless they certify that they have an Internet safety policy that includes technology protection measures. The protection measures must block or filter Internet access to pictures that are: (a) obscene; (b) child pornography; or (c) harmful to minors (for computers that are accessed by minors). Before adopting this Internet safety policy, schools and libraries must provide reasonable notice and

hold at least one public hearing or meeting to address the proposal...Schools and libraries subject to CIPA are required to adopt and implement an Internet safety policy addressing:

- Access by minors to inappropriate matter on the Internet;
- The safety and security of minors when using electronic mail, chat rooms and other forms of direct electronic communications;
- Unauthorized access, including so-called “hacking,” and other unlawful activities by minors online;
- Unauthorized disclosure, use, and dissemination of personal information regarding minors; and
- Measures restricting minors' access to materials harmful to them.”

Finding Detail: During the review of the School District’s *Children’s Internet Protection Act* (CIPA) procedures, auditors noted the following exceptions:

- The District’s Technology Protection Measurement (TPM) does not monitor the devices while the students are off campus;
- The District’s Internet Safety Policy does not address the following:
 - The use of a TPM;
 - The safety and security of minors when using email, chat rooms and other forms of direct electronic communications;
 - Measures designed to restrict minor’s access to materials harmful to them; and
 - Unauthorized access, including so-called “hacking” and other unlawful activities by minors online.

Failure to ensure that inappropriate online content was effectively blocked or filtered resulted in noncompliance with the *Children’s Internet Protection Act*.

Recommendation: We recommend the Grenada School District ensure compliance with CIPA by ensuring its internet content filters are working effectively, and detect failures or disruptions in filtering promptly, as required under the *Children’s Internet Protection Act 47 U.S.C. (h)(5)(B)*. Also, the District should ensure its internet policy addresses all required information.

Management’s Response: District devices were not taken off campus by students prior to upcoming school year. The District’s Technology Handbook, approved on 7/11/2020, contains the policy to address internet safety. The District has recently licenses to use FamilyZone Software to provide filtering of devices when off campus.

Repeat Finding: No.

End of Report