

HOLLY SPRINGS 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**

October 5, 2022

Limited Internal Control and Compliance Review Management Report

Holly Springs School District
840 Highway 178 East
Holly Springs, Mississippi 38635,

Members of the Holly Springs School Board:

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

1. Strengthen Internal Controls and Ensure Compliance with State Law over Contingent Contracts;
2. Strengthen Internal Controls over Superintendent's Signature;
3. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
4. Strengthen Internal Controls over District's Cash and Deposits;
5. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approvals;
6. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
7. Ensure Compliance with State Law over Nepotism;
8. Ensure Compliance with State Law over Monthly Financial Reports;
9. Ensure Compliance with State Law over Administrative Costs;
10. Ensure Compliance with State Law over Certified Employees' Salaries, Maintaining Background Checks, and MDE Certifications in Personnel Files;
11. Ensure Compliance with State Law over Reemployment of Retired Public Employees;
12. Ensure Compliance with State Law over Statement of Economic Interest;
13. Ensure Compliance with State Law over Budget Synopsis; and
14. 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.

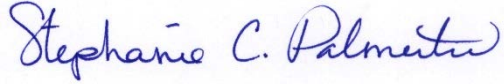
Holly Springs School District

October 17, 2022

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I hope you find our recommendations enable the Holly Springs 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 Holly Springs 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 controls 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**.

While performing our review, we identified certain instances of noncompliance with State laws and control deficiencies 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.

We have identified surety bonds during audit procedures that are not noncompliant but are recommended to be considered for review. These recommendations are noted under the heading **OTHER RECOMMENDATIONS MADE BY THE OFFICE OF THE STATE AUDITOR**.

MATERIAL WEAKNESSES

Finding 1: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Contingent Contracts.

Internal Control Deficiency: The School Board and Superintendent should exercise due diligence in the performance their respective duties in accordance with state laws and regulations.

Applicable State Law: *Section 37-9-7, Mississippi Code Annotated (1972)*, states, "It shall be unlawful for any superintendent, principal or teacher to be employed or contracted with to teach or serve in any of the public schools of this state who does not hold a proper license as required by the State Board of Education. However, the local school board, in its discretion, may authorize the superintendent to enter into a conditional contract with a teacher for a scholastic year, as defined in *Section 37-61-1*, or a portion thereof, contingent upon (1) the person's graduation from an approved teacher education program before September 1 or the issuance of a proper license by the State Board of Education before October 15 for those individuals to be employed beginning with the first term of the scholastic year, or (2) the person's graduation from an approved teacher education program before December 31 or the issuance of a proper teacher licensed by the State

Board of Education before February 15 for those individuals to be employed beginning with the second term of the scholastic year. If the individual who is to be employed beginning with the first term of the scholastic year does not graduate before September 1, or if the individual who is to be employed beginning with the second term of the scholastic year does not graduate before December 31, then any conditional contract executed contingent upon the person's graduation shall be null and void on September 1 or December 31, as the case may be. If the teacher who is to be employed beginning with the first term of the scholastic year fails to obtain a valid license before October 15, or if the teacher who is to be employed beginning with the second term of the scholastic year fails to obtain a valid license before February 15, then any conditional contract executed contingent upon the issuance of a proper license shall be null and void on October 15 or February 15, as the case may be. After a contract is declared null and void, the school district shall withhold from the employee's final salary payment, or shall take such legal action as may be necessary to collect from the employee, any amounts above the amount paid to substitute teachers in that district which were paid to the employee before the contract conditioned upon the person's graduation or being issued a proper license is voided. If the license held by any superintendent, principal or teacher expires during the life of any such contract and is not renewed, then such contract shall be null and void upon the expiration of such license which is not renewed."

Mississippi Public School Accountability Standards, Part 7.0 Annual Report, Section 2: Administration and Personnel, states, "All district professional positions requiring licensed staff are filed by staff that are properly licensed and endorsed as required by state law and federal requirements of the *Elementary and Secondary Education Act (ESEA)*..."

Finding Detail: During the review of the School District's 2019-2020 contingent contracts, the auditor noted six District employees did not receive appropriate licensure as required by the conditions of their contracts approved by the School Board. Despite not meeting licensure requirements, the District continued to pay the employees at a higher, certified teacher rate instead of the required substitute teacher rate. As noted in Section 37-9-7, the District is required to reduce the employee's final salary payment to collect the overpayment in salary due to the failure to meet the terms of the conditional contract, and, if payment is not made by the employee, the District is required to take legal action to collect these amounts. Per inquiry with the District and through other audit procedures, the auditor noted that the District initially failed to attempt to collect the overage in wages from the employees, and failed to terminate the conditional contracts. After being notified of the issue, the Board did attempt to collect the difference between the long-term substitute teacher rate and the certified teacher rate from the six employees. The difference in these rates amounts to **\$4,957** per teacher (**\$29,743** in total).

Additionally, the District continued to pay the six teachers the certified teacher rate instead of at the long-term substitute teacher pay. This difference totaled to **\$71,777**.

Failure to comply with the requirements of the *Mississippi Public School Accountability Standards* and *Mississippi Code Section 37-9-7* resulted in an overpayment to the District employees, totaling **\$101,520**.

Recommendation: We recommend the Holly Springs School District ensure compliance with state law by implementing policies and procedures to ensure laws and regulations are followed in regards to the terms of its conditional contracts with non-certified personnel. Additionally, the District should prepare and provide to the Office of the State Auditor (OSA) a written Corrective Action Plan that includes a plan to ensure the District is properly reimbursed the **\$101,520** in disallowed salary payments. This plan should be sent to the Office of the State Auditor within ten business days of the issuance of this final report.

District's Response: The District has tried to work with teachers to obtain certification due to extreme teacher shortage in Mississippi. The shortage has had even more impact on Holly Springs School District which is labeled a geographical critical needs area making it even more difficult to attract and maintain staff. The District was successful in helping many of the staff obtain a one-year license that may not have been on file and is no longer on the Mississippi Department of Education website. The District will make sure it is following the correct process in the future including guidelines related to the contingency contracts. The District will also make sure all require information is placed in staff files.

Auditor's Note: As of May 2022, the District's Board Attorney and School Board Members are currently working extensively to make the District whole.

Repeat Finding: No.

Finding 2: The School District Should Strengthen Internal Controls over the Superintendent's Signature.

Internal Control Deficiency: An effective system of internal controls requires digital signatures and signature stamps to only be affixed to documentation by the individual whose signature is authorizing such documents.

Finding Detail: During the review of the School District's documentation, the auditor noted the Superintendent's signature was affixed digitally or by stamp to at-will agreements, employee contracts, the Public Depositor's Annual Report, payroll checks, and accounts payable without the Superintendent's review or prior approval.

Failure to ensure the School District's documentation are reviewed and approved by the Superintendent could result in the loss of public funds and the possibility of fraudulent purchases by the District's personnel.

Recommendation: We recommend the Holly Springs School District strengthen controls over documentation by implementing policies and procedures to safeguard the use of the Superintendent's signature.

District's Response: The Superintendent's signature stamp is kept in a locked file cabinet that is only accessible to certain employees. The stamp is only used when authorized by the Superintendent. The Superintendent will continue to make every effort to sign documents when possible.

Repeat Finding: No.

INTERNAL CONTROL DEFICIENCIES

Finding 3: The School District Should Strengthen Internal Controls over Activity Funds' Cash Receipts and Deposits.

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

Finding Detail: During the testing of the School District's activity fund receipts and deposits, the auditor noted the following exceptions out of 19 tested:

- There was a net shortage of **\$594** between deposits and ticket sales for all varsity football games;
- One deposit was made three days after being receipted; and
- 11 cash count sheets were not properly completed.

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 Holly Springs School District strengthen controls over activity fund revenue by enforcing policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: The cash count sheets have signature spots for two workers and we try to get two workers for each game but are not always successful. Therefore, if there is only one worker there can only be one signature as in our case for some of our games. We will ensure that all deposits are made timely. The District has also developed a process to prevent instances of money shortages at games in the future including a more accountable system, adequate staffing, and informing staff that they will have to pay back any shortage of funds that exist in the future.

Repeat Finding: No.

Finding 4: The School District Should Strengthen Internal Controls Surrounding District's Cash Receipts and Deposits.

Internal Control Deficiency: Management is responsible for implementing proper controls surrounding the District's accounting functions. A well-designed system of internal controls should include segregating job duties to the greatest extent possible.

Finding Detail: Based on the review of the School District's accounting system, the auditor noted the following lack of adequate segregation to assure a proper internal controls structure:

- The secretaries at each school location prepare deposits and deliver them to the bank; and
- The Central Office's secretary receipts cash collections and prepares deposits.

Without proper segregation of duties, the District increases the risk that fraud and/or unauthorized or inappropriate use of public monies.

Recommendation: We recommend the Holly Springs School District strengthen controls by ensuring duties of the District's secretaries are segregated to the greatest extent possible in relation to receipting and depositing cash collections.

District's Response: Due to limited staffing at the schools the District will instruct the principal or a designee to verify and initial all deposits before going to the bank. At District Office, although the secretary receipts and prepares deposits, another staff person brings checks from the mail and that person also takes the deposits to the bank.

Auditor's Note: Adequate segregation of duties include inserting different individuals between the functions of cash receipting and disbursing.

Repeat Finding: No.

OTHER DEFICIENCIES AND NONCOMPLIANCE WITH STATE LAW

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws 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 from 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 of the School District’s budgets, the auditor noted on July 15, 2019, the Board approved the 2019-2020 original budget that included five funds reflecting a projected negative fund balance at year end, totaling **\$69,132**:

- Title II-A Supporting Effective Instruction (2511) – **(\$20,000)**;
- Vocational Education Basic (2711) – **(\$6,000)**;
- Title IV-A Student Support Academic Enrichment (2811) – **(\$28,000)**;
- Positive Behavior – Federal (2903) – **(\$2,859)**; and
- Educable Child (2919) – **(\$12,273)**.

Although actual fund balances were not negative at June 30, 2020, the approval of the fund budgets with ending deficit fund balances is in violation of state law.

Recommendation: We recommend the Holly Springs School District ensure compliance with state law 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: As for funds 2903 and 2919, there was nothing budgeted for those funds. The negative was generated by the system due to federal funds being reimbursable accounts. The other funds show negative due to clerical errors, i.e, not clearing out all prior year budgeted amounts (2511 & 2711) and inputting an incorrect revenue allocation (2811). Although all funds (especially federal funds) are monitored monthly to ensure that we are not overspending,

Repeat Finding: No.

Finding 6: 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 Board Policy, Section D Fiscal Management, DJD Expense Reimbursements, states, “For the first day of travel, breakfast reimbursement will only be allowed if the employee is required to leave home before 7:00 am; lunch reimbursement will only be allowed if the employee is required to leave school before 1:00 p.m. The dinner reimbursement will only be allowed on the last day of travel if the school business required the employee to arrive home after 6:00 p.m.”

The *State Travel Policy Rules & Regulations, Section 5 – Conferences, Seminars, and Workshops* states, “Meals shall not be claimed as a separate item of expense on the Travel Voucher when included in the conference registration fee.”

Applicable State Law: *Section 25-3-41(1), Mississippi Code Annotated (1972)*, states, “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.”

Finding Detail: During the testing of the School District’s travel reimbursements, the auditor noted the following exceptions out of 25 tested:

- Twenty – one travel vouchers did not have corroborating evidence for the purpose of the trips;
- Thirteen meal reimbursements were in violation of the District’s policy due to the employees’ return dates;
- Two trips for out-of-district travel for professional development did have advance approval;
- Five travel vouchers were not signed for approval for payment;
- One employee was reimbursed travel expenses; however, the employee was on paid leave;
- One employee was reimbursed **\$50** for meals; however, meals were included in the registration; and
- One instance where the claim was duplicated and the employee was reimbursed an additional **\$46**.

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

Recommendation: We recommend the Holly Springs School District strengthen controls and ensure compliance over travel reimbursements by ensuring policies and procedures surrounding reimbursements for professional travel expenses are being followed.

District’s Response: Although agendas are required when requesting to take professional leave it was not attached to the request for reimbursement. The District will require the agenda to be attached to the Expense Reimbursement. The District will request that the leave/return time be updated at the time of the trip if it differs from the original request.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 7: The School District Should Ensure Compliance with State Law over Nepotism.

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

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

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

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

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

- The Superintendent did not recuse herself from the recommendation of her spouse and niece; and.
- One Board member voted to approve the reappointment of her cousin within the third degree.

Failure of the Superintendent and Board member to recuse themselves during the recommendation or voting for relatives resulted in the violation of *Mississippi Ethics Opinions 10-077-E and 14-051-E* and *Mississippi Code Sections 37-9-17(1) and 37-96-21*.

Recommendation: We recommend Holly Springs School District Board ensure compliance with state law by ensuring all officials recuse themselves during the voting and/or recommendation of a relative, as required by state law and regulations.

District’s Response: The District will ensure that any Board Members or the Superintendent, who has relatives employed by the District, recuses themselves when recommendations are being made for the relative. This action will be recorded in the Board minutes. The Superintendent does not recommend her husband nor does she have a vote during the Board meetings. The Assistant Superintendent recommends him and is his immediate supervisor. The Superintendent will excuse herself from the room during this vote.

Repeat Finding: No.

Finding 8: 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 State Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board states that, “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.” The policy further states, “The financial reports shall be listed as an agenda item for discussion at each regularly scheduled meeting of the local school board. The minutes of the local school board meeting shall reflect that the financial reports were discussed. Each board member present shall be provided a copy of all required financial reports. A copy of all required financial reports shall be included in the official minutes of the board meeting at which the reports were discussed.”

Finding Detail: During the review of the School District’s monthly financial reports, the auditor noted the financial reports fiscal year 2020 were discussed by the Board; however, the actual financial reports were not spread upon its minutes.

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 Holly Springs School District ensure all required reports are spread upon the minutes, monthly.

District’s Response: The District will include the financial reports, which are discussed at the Board meeting, in the official Board minutes each month. These reports are currently being kept on file in the Business Manager’s Office.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Administrative Costs.

Applicable State Law: *Section 37-61-9(4), Mississippi Code Annotated (1972)*, states, “There shall be imposed limitations on budgeted expenditures for certain administration costs, as defined hereinafter, in an amount not greater than One Hundred Fifty Thousand Dollars (\$150,000.00) plus four percent (4%) of the expenditures of all school districts each year. For purposes of this subsection, “administration costs” shall be defined as expenditures for salaries and fringe benefits paid for central administration costs from all sources of revenue in the following expenditure functions as defined in the MISSISSIPPI PUBLIC SCHOOL DISTRICT FINANCIAL ACCOUNTING MANUAL.”

Finding Detail: During the review of the School District’s budgeting for fiscal year 2019, the auditor noted that, when considered individually, the School District exceeded the limits imposed on administrative costs as defined in *Section 37-61-9(4), Mississippi Code Annotated (1972)*, by **\$38,768**.

Attorney General Opinion No. 2008-00389 provides that: “Based on the clear and unambiguous meaning of *Section 37-61-9(4) of the Mississippi Code of 1972*, the legislature imposed limitations on budgeted expenditures for certain administrative costs in an amount not greater than One Hundred Fifty Thousand Dollars (\$150,000) plus four percent of the expenditures of all school districts each year.” In this opinion, the Office of the Attorney General concludes that the four percent (4%) limitation established by *Section 37-61-9(4)* should not be applied for each individual school district’s total expenditures.

However, the Mississippi Department of Education performs an annual calculation of each school district's administrative expenditures as a percentage of the total expenditures of the district and includes that calculation in the *Superintendent's Annual Report*.

Failure to ensure administrative costs are within the statutory limitations could result in the loss of public funds that can be expended in the classroom.

Recommendation: We recommend the Holly Springs School District ensure compliance by ensuring it does not exceed administrative cost limitations, as required by state law and regulations.

District's Response: The District will review and monitor administrative cost annually.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Certified Employees' Salaries and Maintaining Background Checks and MDE Certifications in Personnel Files.

Applicable State Law: *Section 37-9-33, Mississippi Code Annotated (1972) and Board Policy CGA, Administrative Personnel Compensation Guides and Contracts*, states, "In employing and contracting with appointed superintendents, principals, and certified employees, the school board shall in all cases determine whether the amount of salary to be paid such superintendent, principal, and certified employees is in compliance with the provisions of the adequate education program. No contracts shall be entered into where the salary of a superintendent, principal, or certified employee is to be paid, in whole or in part, from adequate education program funds except where the reimbursements of said chapter as to the amount of salary are fully met... The allowance in the Mississippi Adequate Education Program for teachers' salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers' salaries as provided in this subsection."

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 testing of the School District's certified employees' files, the auditor noted the following exceptions out of 20 tested:

- Nine personnel files did not include the educator's certification;
- Three personnel files did not have evidence of background checks;
- Three certified employees' salaries did not agree with the approved salary scale due to two employees being paid at the wrong step scale and one instance of clerical error. The total net difference was **\$5,326**;
- Three certified employees' teaching experience did not agree with the Mississippi Student Information System (MSIS) Certified Employees Report; and
- One certified employee's supplemental salary was not included in the Board – approved supplement salary schedule, totaling **\$7,530**.

Recommendation: We recommend the Holly Springs School District strengthen controls and ensure compliance by obtaining criminal background checks, and ensuring all educator certifications are maintained in the personnel files of its

employees, as required by law. Also, the School District should ensure salary increases are approved by the School Board.

District's Response: The District will ensure that all staff are compensated based on the number of verified years if the verification is received before the established deadline. One employee is a principal and the steps on the administrator's scale does not necessarily coincide with years of experience. In her case, her experience has been teaching. The District will also make sure all required information is placed in staff files.

Repeat Finding: No.

Finding 11: 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 out of 18 tested:

- Two retired employees were paid more than the allowed salary by PERS, totaling **\$31,378**; and
- Eight PERS Form 4Bs did not have evidence of being filed with PERS within five days of rehire.

Failure to file and complete the Form 4B, 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 Holly Springs School District should ensure compliance with state law and PERS by properly paying employees and filing Form 4Bs within five days of rehire.

District's Response: The District will ensure that all 4Bs are correctly completed for each reemployed retiree. We will also keep copies of the fax transmittals to file with each form.

Repeat Finding: No.

Finding 12: 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 Board's Statements of Economic Interest, the auditor noted one Board member had not filed a Statement of Economic Interest by May 1st.

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

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

District's Response: Beginning in 2021 during the months of January-April, the Board Members will be reminded each monthly meeting to file their statements before May 1st.

Repeat Finding: No.

Finding 13: The School District Should Ensure Compliance with State Law over Its Budget Synopsis.

Applicable State Law: *Section 37-61-9(3), Mississippi Code Annotated (1972)*, states, "Prior to the adoption of a budget pursuant to this section, the school board of each school district shall hold at least one (1) public hearing to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget. The public hearing shall be held at least one (1) week prior to the adoption of the budget with advance notice. After final adoption of the budget, a synopsis of such budget in a form prescribed by the State Department of Audit shall be published in a newspaper having general circulation in the school district on a date different from the date on which the county or any municipality therein may publish its budget."

Finding Detail: During the review of the School District's budgets, the auditor noted the District failed to publish a synopsis of its original budget for fiscal year 2020.

Failure to publish the synopsis of the 2020 original budget resulted in non-compliance with state laws and regulations.

Recommendation: We recommend the Holly Springs School District ensure compliance by publishing its synopsis of its original budget annually, as required by *Mississippi Code Section 37-61-9(3)*.

District's Response: The District has included on the Budget Calendar the requirement to publish the budget synopsis and will do so annually to ensure the requirement is met.

Repeat Finding: No.

Finding 14: 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 37-6-15, 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 Thousand Dollars (\$100,000.00), with sufficient surety.”

Finding Detail: During the review of the School District’s surety bonds, the auditor noted the following individuals had “renewals” or “continuation bonds” rather than new surety bonds.

- All five of the Board Members; and
- The Superintendent.

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 Holly Springs 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: Beginning with the Fiscal Year 2021 school year, as bonds expire, the District is applying for new bonds for all bonded employees and will continue to do so annually.

Repeat Finding: No.

OTHER RECOMMENDATIONS MADE BY THE OFFICE OF THE STATE AUDITOR

Office of the State Auditor recommends that School Board consider obtaining surety bonds for Business Manager, Principals, and Purchasing Agent. As noted during procedures performed, the Business Manager, Principal, and three Purchasing Agents are covered under a continuation certificate. A “continuation certificate” is a document that extends the life of the original surety bond. A continuation certificate only covers the current bonding period rather than both the current and previous periods. Failure to have a bond in place for a specific term of employment could limit the amount available for recovery if a loss occurred over multiple terms.

End of Report



Holly Springs School District

Dr. Irene Walton Turnage, Superintendent of Education

COMPLIANCE REVIEW FINDINGS

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39206-0956

Dear Mr. White:

The Holly Springs School District has reviewed the report finding from the Limited Internal Control and Compliance Review conducted for the fiscal year ending June 30, 2020. Below you will find the responses and corrective action plans.

Finding 1: Strengthen Internal Controls and Ensure Compliance with State Laws over Contingent Contracts.

Response: In its efforts to provide a safe and consistent learning environment for its students, the District administration concurs with the finding that the conditional contract process, also referred to as “contingent contract” process, was, in an oversight, not monitored carefully in six instances. Further, beginning in mid-March 2020, the administration’s attention was subsequently consumed for the remainder of the year with implementing distance learning to cope with the Covid-19 pandemic. This unprecedented disruption further reduced the possibility of the administration’s bandwidth to uncover and track this issue.

Corrective Action Plan:

- A. The District has implemented the following procedures to address a chronic teacher shortage, to provide consistent instructions to its students, and to meet its statutory responsibilities regarding contingent contracts identified in Finding 1. The Board of Trustees (Board) has reviewed and approved the administration’s recommendation to create a new at-will position of Fully Responsible Substitute (FRS) and established a daily rate for that position that is less than the first year teacher daily rate. The FRS is responsible for all the job duties of a teacher and serves on a long term, though at will, basis. So as to avoid the necessity of seeking overpayment in the event an employee does not meet the terms of the contingent contract, employees on contingent contracts will be paid at the FRS rate. Any differential between the FRS rate and the contingent contract daily rate (likely the first year teacher daily rate) will be banked until such time as the license is awarded. If the license is received prior to or by the dates listed in the statute, the District will release the banked amounts and begin paying the teachers who have met the contingency at the salary listed in the contingent contract. All employees on contingent contracts will be presented to the Board by the statutory deadlines with updates on whether or not the employee received a license timely under the statutory deadlines. Should the administration need to continue to fill the position(s) with a substitute while still seeking a licensed teacher, an employee who has not received a license may be recommended to continue working as a FRS after the September 1, October 15, December 31, or February 15 deadlines, as

applicable. These procedures will ensure that no employee on a contingent contract will be overpaid.

- B. To make the District whole, as a precursor to filing suit, demand letters have been sent to the six employees regarding overpayments paid to the employee for time period from the beginning of school to October 15. If any of the six former personnel produce evidence showing licensure was obtained prior to October 15, the District will contact this office regarding instructions.
- C. Based on this Finding 1, the District will amend the demand letters to include the funds identified above as due and owing after October 15. After sending amended demand letters, the District will move forward with filing suit and litigation regarding the collection process. If any of the six former personnel produce evidence showing licensure was obtained prior to October 15, the District will contact this office regarding instructions.
- D. Alternatively, in lieu of filing suit to collect the funds regarding overpayments paid to the employees from the beginning of school to October 15 (suits referenced in section B above), the District requests that Board be allowed to ratify the payments since the work was performed and protocols have been put in place to prevent this statutory violation.
- E. Alternatively, in lieu of sending the amended demand letters related to the funds paid after October 15, 2019 (letters referenced in section C above) and subsequently filing suit, the District requests that Board be allowed to ratify the payments since the work was performed and protocols have been put in place to prevent this statutory violation.
- F. As a follow-up to alternatives D and E, the cost of seeking these funds is significant (locating employees where information seeking to collect the funds has been returned, litigating the merits, and if successful, doing discovery to garnish wages or engage in implementing blanket garnishments in the area where the employee lives, enrolling judgments, and monitoring judgments for re-enrollment) and likelihood of success uncertain. Ratification of the overpayments is less costly and the public has the assurance that procedures are in place to prevent this re-occurrence.
- G. Dr. Irene Walton Turnage, Superintendent, is responsible for this corrective action.
- H. This corrective action has been implemented and will continue to be implemented.

Finding 2: Strengthen Internal Controls over the Superintendent's Signature.

Response: The Superintendent's signature stamp is only used with her approval when she is not physically in the district to sign the document needed.

Corrective Action Plan:

- A. The Superintendent will continue to make every effort to sign documents when possible. The signature stamp will continue to be kept in a secured locked file cabinet until the authorized use of it is needed.
- B. Dr. Irene Walton Turnage, Superintendent, is responsible for this corrective action.
- C. This correction action plan has been implemented.

Finding 3: Strengthen Internal Controls over Activity Funds' Cash Receipts and Deposits

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District will ensure that all deposits are made the following business day after each game. The district will make every effort to have two employees for tickets sales at home games.
- B. Tennys Mayfield, Business Manager
- C. This corrective action will be implemented immediately.

Finding 4: Strengthen Internal Controls Surrounding District's Cash Receipts and Deposits

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District will assign a designee, who does not prepare deposits, to receipt cash at the Central Office to ensure segregation of duties. Due to limited staff at the schools, the secretaries will have a designee to verify their deposits before taking it to the bank.
- B. Tennys Mayfield, Business Manager
- C. This corrective action will be implemented immediately.

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

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District will be sure to thoroughly review all funds to ensure that all prior year transactions have been removed as to not result in a negative fund balance being projected for the current year's original budget.
- B. Tennys Mayfield, Business Manager
- C. This corrective action has been implemented.

Finding 6: Strengthen Internal Controls and Ensure Compliance with State Law over Travel Expense Reimbursement

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District has always required an agenda to be attached to the request for professional leave but now requires an agenda to be attached to the reimbursement request. The district is requesting that employees revise their professional leave request if the time of departure or arrival changes so that they may be reimbursed properly.
- B. Tennys Mayfield, Business Manager
- C. This corrective action will be implemented immediately.

Finding 7: Ensure Compliance with State Laws over Nepotism

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The School Board Members and/or Superintendent will recuse themselves from the recommendation and voting process of any family member that is related within the third degree.
- B. Dr. Irene Walton Turnage, Superintendent
- C. This corrective action will be implemented immediately.

Finding 8: Ensure Compliance with State Laws over Monthly Financial Reports

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District will ensure that all monthly financial reports that are presented and approved at the board meetings will also be included in the board minutes.
- B. Tennys Mayfield, Business Manager
- C. This corrective action will be implemented immediately.

Finding 9: Ensure Compliance with State Laws over Administrative Cost

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District will review and monitor administrative cost annually to ensure compliance according to our understanding of the law.
- B. Tennys Mayfield, Business Manager
- C. This corrective action will be implemented immediately.

Finding 10: Ensure Compliance with State Laws over Certified Employees' Salaries and Maintaining Background Checks and MDE Certifications in Personnel Files

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District has implemented a new employee onboarding process that will require all required documents to be uploaded and kept electronically. This will help to ensure that all documents are maintained in employees' files. Salaries are entered into MSIS using a report generated from the payroll module. This report also has the employee's years of experience, which can be verified in MSIS.
- B. Tennys Mayfield, Business Manager
- C. This corrective action plan will be implemented immediately.

Finding 11: Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District has strengthened the onboarding process to ensure that all 4B Forms are submitted within five days and the submission date will be documented. All 4B Forms will be revised as necessary.
- B. Tennys Mayfield, Business Manager
- C. This corrective action plan will be implemented immediately.

Finding 12: Ensure Compliance with State Laws over Statements of Economic Interest

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District has been made aware of this requirement. School Board Members will be reminded monthly during the months of January-April each year.
- B. Dr. Irene Walton Turnage, Superintendent
- C. This corrective action plan has been implemented.

Finding 13: Ensure Compliance with State Laws over Its Budget Synopsis

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District has included the requirement to publish the budget synopsis to its annual budget calendar to ensure compliance with the state law.
- B. Tennys Mayfield, Business Manager
- C. This corrective action plan has been implemented.

Finding 14: Ensure Compliance with State Laws over Surety Bonds

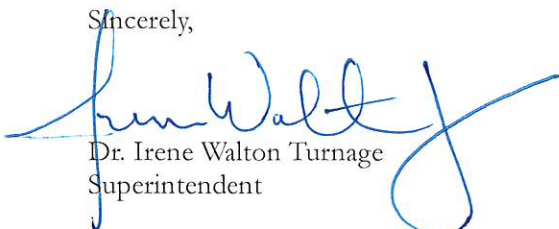
Response: The District concurs with the finding.

Corrective Action Plan:

- A. As bonds expire, the District is applying for new bonds for all bonded employees and will continue to do so annually.
- B. Tennys Mayfield, Business Manager
- C. This corrective action plan has been implemented.

Thank you for opportunity to respond to all the areas included in the findings. Please do not hesitate to contact me if have questions or need additional information.

Sincerely,



Dr. Irene Walton Turnage
Superintendent