

JEFFERSON COUNTY 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 L. Duckworth
Director, *Compliance Audit Division*



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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

Limited Internal Control and Compliance Review Management Report

Jefferson County School District
942 Main Street
Fayette, MS 39069

Members of the Jefferson County School Board:

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

1. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
2. Ensure Compliance with State Law over Obtaining Quotes for Purchases Over \$5,000 but Not Over \$50,000;
3. Ensure Compliance with State Law Over Financial Reports;
4. Ensure Compliance with State Law over Sixteenth Section Lease Taxes;
5. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
6. Ensure Compliance with State Law over Certified Employee's Salaries;
7. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by October 4, 2022. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings. Jefferson County School District's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them. Minor grammatical changes may have been made to responses in order to provide clarity. These changes did not change the substance of the District Response.

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

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

Sincerely,

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

STEPHANIE 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 Jefferson County 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 a certain deficiency in internal control that we consider to be a *significant deficiency*. This matter is noted under the heading **SIGNIFICANT DEFICIENCY**.

In addition, while performing our review, we noted certain instances of noncompliance with state laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

SIGNIFICANT DEFICIENCY

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

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

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

Finding Detail: During the testing of School District's activity/athletic fund revenue collections, the auditor noted the following exceptions, out of 15 deposits tested:

- Three instances where deposits were not made timely;
- Five instances where deposits were less than the total tickets sales, totaling **\$104**;
- Six instances where deposits were more than the total tickets sales, totaling **\$124**; and
- One instance where a general admission ticket sales form did not have beginning and ending ticket numbers or verification signature of correctness by school officials.

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

Recommendation: We recommend the Jefferson County School District strengthen controls by enforcing policies and procedures to ensure receipts from all activity/athletic fund revenue collections are safeguarded, properly recognized, recorded and deposited in a timely manner.

District Response: The District will ensure that revenue is correctly earned, recorded and deposited in compliance with state statute.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: 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 two competitive written bids for purchases over \$5,000 but not over \$50,000 exclusive of freight and shipping charges. The District is required to accept the lowest and best competitive written bid.

Attorney General Opinion No. 2012-00158, states, “The ultimate goal of the public purchasing statute, found at *Mississippi Code Annotated Section 31-7-13*, is to encourage competition to ensure efficiency and economy in purchases made by public entities. In fact, *Section 31-7-13(c)(iv)(1)*, specifically prohibits a public entity from writing bid specifications that exclude comparable equipment. However, clearly, the Legislature intended, in its adoption of *Section 31-7-13(c)(iv)(1)*, to create an exemption to that prohibition. *Section 31-7-13(c)(iv)(1)* provides the following: Specifications pertinent to such bidding shall be written so as not to exclude comparable equipment of domestic manufacture. However, if valid justification is presented, the Department of Finance and Administration or the board of a governing authority may approve a request for a specific equipment necessary to perform a specific job. Further, such justification, when placed on the minutes of the board of a governing authority, may serve as authority for that governing authority to write specifications to require a specific item of equipment needed to perform a specific job...”

Finding Detail: During the testing of the School District’s purchasing expenditures, the auditor noted that the Board approved a purchase, totaling **\$7,452**, from Reading Enrichment Programs as a sole source based on a letter provided by the vendor.

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

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

District Response: The District will make sure that we are complying with *Mississippi Code Section 31-7-13(b)* when purchasing.

Repeat Finding: No.

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

Applicable State Law: *Section 37-9-18, Mississippi Code Annotated (1972)*, requires all financial reports be submitted to the local school board. According to the board’s policy, financial reports that shall be submitted to the Board includes

reconciled bank statements, statement of revenues and expenditures, current budget status, monthly cash-flows, and combined balance sheet or current fund equity balances at each regular monthly school board meeting. A copy of all required financial reports shall be included in the official minutes of the board meeting at which the reports were discussed.

Finding Detail: During the review of the School District's Board minutes, the auditor noted there were no financial reports spread upon the Board minutes from June 2019 through April 2020.

Failure to submit a complete set of financial reports to the School Board monthly could result in the loss or misappropriation of public funds.

Recommendation: We recommend the Jefferson County School District ensure compliance over financial reports by ensuring all monthly financial reports are submitted to the School Board monthly and spread upon its minutes, as required by required by state law.

District Response: In response to *Section 37-9-18(1)(a) Mississippi Code Annotated (1972)*, concerning Financial Reports, although the financial reports were listed on the agenda and the minutes reflected the discussion and approval of the reports, copies were maintained in a separate file and not with the minutes. Going forth, the District will ensure that the financial reports listed on the agenda and approved in the minutes are also filed in the minutes as required.

Repeat Finding: No

Finding 4: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Taxes.

Applicable State Law: *Section 29-3-71, Mississippi Code Annotated (1972)*, states, "Sixteenth section lands reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be liable, after the same shall have been leased, to be taxes as other lands are taxed during the continuance of the lease, but in case of sale thereof for taxes, only the title of the lessee or his heirs or assigns shall pass by the sale." In addition, the standard lease agreement used by the district between the lessee and lessor states, "Lessee shall pay all taxes levied, if any, on said property on time to prevent default."

Finding Detail: During the review of the School District's sixteenth section land leases, the auditor noted taxes were not current on two out of the 13 leases reviewed, totaling **\$848**; however, the lease agreements were not terminated

Failure to terminate lease agreement due to the non-payments of property taxes resulted in noncompliance with state law.

Recommendation: We recommend the Jefferson County School District ensure compliance over sixteenth section leases by ensuring taxes are current, as required by state law.

District Response: The District will work with the County Tax Assessor's Office to ensure all taxes are paid on leased sections in order to be in compliance with *Section 29-3-71, Mississippi Code Annotated (1972)*.

Repeat Finding: No.

Finding 5: 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.”

PERS Board Regulation 34, Section 105, states, “To lawfully employ a PERS service retiree under *Section 103*, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of a \$300 penalty per occurrence payable by the employer.”

Finding Detail: During the testing of the School District’s retired and rehired service employees, the auditor noted the following instances of noncompliance:

- Eleven Form 4Bs were not filed within five days of rehiring the employee;
- Three Form 4Bs did not indicate the retirement date of the retired employee;
- One retiree was rehired before their retirement date; and
- Two Form 4Bs were not properly completed.

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

Recommendation: We recommend the Jefferson County School District ensure compliance over rehiring PERS retirees and PERS by properly completing and submitting the forms to PERS within five days from the date of reemployment, as required by state law.

District Response: The District will comply with *Section 25-11-127(4), Mississippi Code Annotated (1972)* and *PERS Board Regulation 34, Section 105* by ensuring that all PERS forms are completed properly and in a timely manner in compliance with above mentioned statutes.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Certified Employee’s Salaries.

Applicable State Law: *Section 37-9-37, Mississippi Code Annotated (1972)*, states, “The amount of the 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. In employing such superintendents, principals and licensed employees and in fixing their salaries, the school boards shall take into consideration the character, professional training, experience, executive ability and teaching capacity of the licensed employee, superintendent or principal. It is the intent of the Legislature that whenever the salary of the school district superintendent is set by a school board, the board shall take into consideration the amount of money that the district spends per pupil, and shall attempt to insure that the administrative cost of the district and the amount of the salary of the superintendent are not excessive in comparison to the per pupil expenditure of the district.”

Management is responsible for ensuring that all revenue is correctly earned, recorded and deposited in order to safeguard the assets of the school district.

Finding Detail: During the review of the School District’s certified employees’ contracts, the auditor noted the following instances of noncompliance out of 20 contracts reviewed:

- One certified teacher's salary was not in accordance with the Board – approved salary scale, which resulted in an overpayment totaling **\$5,195**; and
- One certified teacher's salary was not properly calculated, which resulted in an overpayment totaling **\$99**.

Failure to ensure salaries were paid according to the appropriate salary scales resulted in noncompliance with state law.

Recommendation: We recommend the Jefferson County School District ensure compliance over contracts by verifying all salaries are paid according to the appropriate salary scales, as required by state law.

District Response: The District will ensure salaries are verified and correctly coded to comply with *Section 37-9-37*.

Repeat Finding: No

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

Applicable State Law: *Section 25-1-19, Mississippi Code Annotated (1972)*, states, “The bond of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the chancery court of the county...”

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 37-9-31, Mississippi Code Annotated (1972), states, “All school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000), 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: Based on the review of the School District's surety bonds, the auditor noted the following exceptions:

- One Board member's bond was a rider instead of an official surety bond;
- Three surety bonds were not on file at the Chancery Clerk's office for:
 - One Board member;
 - One Purchase Agent; and
 - One Principal

- Two surety bonds did not cover the entire fiscal year 2020 for:
 - One Board member; and
 - One Purchase Agent
- One Principal was not bonded during fiscal year 2020.

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 Jefferson County School District ensure compliance by securing new bonds 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. Additionally, the Board should ensure all bonds for employees' and officials' bonds are filed with the Chancery Clerk.

District Response: The District will comply with *Section 25-1-19*, *Section 25-1-15 (2)*, *Section 37-6-15*, *Section 37-9-31* and *Section 37-39-21*, *Mississippi Code Annotated (1972)* to ensure that all parties requiring bonds are bonded for the required time and bonds are filed.

Repeat Finding: No.

End of Report



Jefferson County School District

Dr. Adrian Hammitte, Superintendent of Education

Sandra Williams, Business Manager

Robert L. Williams Administration Building

942 Main St. Fayette, MS 39069

Phone: 601-786-3721 • Fax: 601-786-8441

September 30, 2022

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

RE: Compliance Review Findings

Dear Mr. White:

The vision of Jefferson County School District is to be a premier educational institution, a source of pride and creativity, and the cornerstone of academic excellence where we produce lifelong learners who are college and career ready. To achieve this vision, we must utilize our resources efficiently and effectively. As a school district, we are committed to not only using our resources in an appropriate manner, but we are also dedicated to complying with state laws and procedures. Therefore, we would like to thank you for your assistance and support with our financial audit.

We also recognize the importance of your review of our internal control performance and compliance. One of our strategic goals is to manage our finances in a manner that reflects the values of the school district and promotes student success. As such, we continuously seek ways to enhance our operation while understanding that there is always room for improvement. This report will be used to establish new policies as needed, reinforce established policies and procedures, and implement an action plan for improvement.

If you have any additional questions, please do not hesitate to contact me.

Sincerely,

Adrian Hammitte, Ph.D.
Superintendent of Education

AUDIT FINDINGS:

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

Response: The District will ensure that revenue is correctly earned, recorded, and deposited in compliance with state statutes.

Corrective Action Plan:

- A. The District's current cash policy and procedure in place require cash to be deposited daily and transmittal forms submitted to the central office daily for receipting. The District will ensure compliance by doing the following:
 - a. Reinforce policy and provide training to personnel(s) responsible for making deposits and receipting monies.
 - b. Provided training for business office personnel responsible for issuing of tickets for athletic events.
 - c. Provide training to personnel(s) working athletic events on how to properly complete the ticket sales form, to properly sign the form; and accuracy of counting of funds received from ticket sales.
 - d. Funds for after-hour athletic events are to be deposited in the night drop box of the depository institution.
- B. The Jefferson County District's Business Manager, Sandra Williams, will be responsible for ensuring that all corrective actions are being implemented. Ms. Williams's contact information is swilliams@jcpsd.net, (601) 786-3721.
- C. Anticipated date of completion: Ongoing

Finding 2: The School District Should Ensure Compliance with State Law over Obtaining Quotes for Purchases Over \$5,000 but Not Over \$50,000.

Response: The District will make sure that we comply with *Mississippi Code Section 31-7-13(b)* when purchasing.

Corrective Action Plan:

- A. The District will do the following:
 - a. Review purchasing procedures with all personnel to ensure compliance with state policy.
 - b. Ensure that each authorizing authority on purchases will verify that all submitted purchase requisitions over the required amount include documented quotes before approval.
 - c. A second verification by the business office will be required before generating the requisition into a purchase order.
 - d. Establish a purchasing checklist of required documentation to assist personnel in ensuring compliance when submitting purchasing requests.

- B. The Jefferson County District's Business Manager, Sandra Williams, will be responsible for ensuring that all corrective actions are being implemented. Ms. Williams's contact information is swilliams@jcpsd.net, (601) 786-3721.
- C. Anticipated date of completion: October 30, 2022

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

Response: In response to Section 37-9-18(1) (a) Mississippi Code Annotated (1972), concerning Financial Reports, although the financial reports were listed on the agenda and the minutes reflected the discussion and approval of the reports, copies were maintained in a separate file and not with the minutes. The District will ensure that the financial reports listed on the agenda and approved in the minutes are filed in the minutes as required.

Corrective Action Plan:

- A. The financial reports submitted to the board as part of the monthly agenda are approved and included in the monthly meetings. The board secretary will include those reports as attachments and place them in the minute book, not in a separate file.
- B. The Jefferson County District's Business Manager, Sandra Williams, will be responsible for ensuring that all corrective actions are being implemented. Ms. Williams's contact information is swilliams@jcpsd.net, (601) 786-3721.
- C. Anticipated date of completion: Completed

Finding 4: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Taxes.

Response: The District will work with the County Tax Assessor's Office to ensure all taxes are paid on leased sections to comply with Section 29-3-71, Mississippi Code Annotated (1972).

Corrective Action Plan:

- A. To ensure compliance with State Law on tax payment for lease 16th section land, the District will do the following:
 - a. A lessee will be required to submit to the District a copy of the paid tax receipt for each year of the corresponding section leased.
 - b. District working in conjunction with the Tax Assessor Office, will establish policy and procedures to verify that all taxes on leased 16th section property is current **by March 1st** of each year.
 - c. District will consider part-time employment of a 16th Section Land Manager to help ensure that the District complies with all 16th Section State Policies and Procedures.
- B. The Jefferson County District's Business Manager, Sandra Williams, will be responsible for ensuring that all corrective actions are being implemented. Ms. Williams's contact information is swilliams@jcpsd.net, (601) 786-3721
- C. Anticipated date of completion: March 1, 2023

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

Response: The District will comply with *Section 25-11-127(4), Mississippi Code Annotated (1972)*, and *PERS Board Regulation 34, Section 105* by ensuring that all PERS forms are completed properly and in a timely manner in compliance with the above-mentioned statutes

Corrective Action Plan:

- A. The District will do the following:
 - a. Review policies and procedures to ensure proper procedures are in place when hiring or rehiring employees and retirees and update policies accordingly.
 - b. The district will establish a checklist for rehires to include requirements for retirees with an established timeline for completion to ensure compliance with state deadlines.
 - c. Conduct training or seek training opportunities on properly completing and timely submitting the various employment forms.
- B. The Jefferson County District's Business Manager, Sandra Williams, will be responsible for ensuring that all corrective actions are being implemented. Ms. Williams's contact information is swilliams@jcpsd.net, (601) 786-3721.
- C. Anticipated date of completion: March 1, 2023

Finding 6: The School District Should Ensure Compliance with State Law over Certified Employee's Salaries.

Response: The District will ensure salaries are verified and correctly coded to comply with *Section 37-9-37*.

Corrective Action Plan:

- A. The District will do the following:
 - a. Ensure that all salary scales are approved by the board each school term according to local policy before contracts are issued.
 - b. Ensure that all payments to licensed and non-licensed personnel are board approved and the contracts and at-will agreements are in agreement with the approved board amount. A copy of the signed contract or at-will will be kept on file in personnel in the individual's personnel file.
 - c. Contracts or at-will amounts will be verified against board-approved amounts by the business manager and a second verification by payroll before being issued to personnel for signature.
- B. The Jefferson County District's Business Manager, Sandra Williams, will be responsible for ensuring that all corrective actions are being implemented. Ms. Williams's contact information is swilliams@jcpsd.net, (601) 786-3721.
- C. Anticipated date of completion: March 1, 2023

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

Response: The District will comply with *Section 25-1-19*, *Section 25-1-15 (2)*, *Section 37-6-15*, *Section 37-9-31*, and *Section 37-39-21*, *Mississippi Code Annotated (1972)* to ensure that all parties requiring bonds are bonded for the required time and bonds are filed.

Corrective Action Plan:

- A. The District will do the following:
 - a. Ensure that all required bonded personnel are licensed and filed with the chancery clerk's office. Copies of the bond are on file in the business office.
 - b. Review the recommendation of securing a new bond every four years concurrent with the election or appointment applicable to the particular employee.
- B. The Jefferson County District's Business Manager, Sandra Williams, will be responsible for ensuring that all corrective actions are being implemented. Ms. Williams's contact information is swilliams@jcpsd.net, (601) 786-3721.
- C. Anticipated date of completion: Completed