

# LAMAR COUNTY SCHOOL DISTRICT MISSISSIPPI

## COMPLIANCE REPORT

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Limited Internal Control and Compliance Review Management  
For the year ended *June 30, 2020*

**SHAD WHITE**  
State Auditor

**Stephanie C. Palmertree, CPA, CGMA**  
Deputy State Auditor  
**Charlotte Duckworth**  
Director, *Compliance Audit Division*



**Lamar County School District**

September 13, 2022

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

**Limited Internal Control and Compliance Review Management Report**

Lamar County School District  
424 Martin Luther King Drive  
Purvis, MS 39475

Dear Members of Lamar County School Board:

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

1. Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Appraisals, Deposits, Receipts, and Lease Payments;
2. Ensure Compliance with State Law over Unemployment Compensation Fund;
3. Ensure Compliance with State Law over Statement of Economic Interest;
4. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
5. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by (Date). 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.

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 Lamar 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 the Lamar 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, Miss. Code Ann. (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 also noted certain deficiencies in controls that we noted under the heading **OTHER DEFICIENCIES**.

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**. The Auditor's Office has also made a recommendation for management's consideration that it is not in violation of state law.

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## **OTHER DEFICIENCY AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW**

**Finding 1:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Appraisals, Deposits, Receipts, and Lease Payments.

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

*Mississippi State Board of Education Manual, Section B, Miscellaneous Issues, Policy E. Receipt Files*, states, "All monies shall be receipted to the school utilizing pre-number receipts (two parts) and be maintained in a bound book or ledger. Under no circumstance shall monies be deposited to any bank without a proper receipting of such monies... Any documentation necessary to support the receipts shall be maintained on file."

**Applicable State Law:** *Section 29-3-57, Mississippi Code Annotated (1972)*, states, "The superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section lands; likewise, he shall keep a correct current docket upon the existing leases or any extensions thereof as to the amounts and time of payment of rentals provided for by such lease. It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease."

*Section 29-3-65, Mississippi Code Annotated (1972)*, states, “One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the board of education shall appoint a competent appraiser to appraise the land and report to the board his recommendation for the fair market rental amount. The board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*.”

*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 testing of the School District’s sixteenth section leases, the auditor noted the following exceptions:

- Five lease payments were not made at all; however, the lease agreements were not cancelled;
- Four lease payments were 63 to 157 days late; however, the lease agreements were not cancelled;
- Ten lease payments were not properly receipted within the District; therefore, OSA was unable to determine if the funds were deposited in a timely manner;
- Three deposits for lease payments were not made in a timely manner; and
- 18 lease agreement files did not have evidence of an appraisals.

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

**Recommendation:** We recommend the Lamar County School District strengthen controls and ensure compliance by ensuring lease payments are made within 60 days, receipted, deposited in a timely manner, and an appraisal is appointed one year before the rental of sixteenth section land, as required by laws and regulations.

**Repeat Finding:** No.

**District’s Response:** The Lamar County School Board will review and ensure that lease payments are made timely and in accordance with *Mississippi Code Section 29-3-57*. Appraisals are currently obtained and retained for leases, if applicable. A two-part receipting system is now used in accordance with the accounting manual.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 2:** The School District Should Ensure Compliance with State Law over Unemployment Compensation Fund.

**Applicable State Law:** *Section 71-5-359(5), Mississippi Code Annotated (1972)*, states, “Each political subdivision, unless it elects to make contributions to the unemployment compensation fund as provided in subsection (9) of this section, shall establish a revolving fund and deposit an amount equal to two percent (2%) of the first Six Thousand Dollars (\$6,000.00) paid to each employee thereof during the next preceding year. However, the department shall by regulation establish a procedure to allow reimbursing political subdivisions to elect to maintain the balance in the revolving fund as required under this paragraph or to annually execute a surety bond to be approved by the department in an amount not less than two percent (2%) of the covered wages paid during the next preceding year.”

**Finding Detail:** During the review of School District’s Unemployment Compensation funds, the auditor noted the District did not have sufficient funds within the fund totaling **\$53,601**, as required by state law.

Failure to maintain sufficient funds within the unemployment compensation fund resulted in the District's non-compliance with *Section 71-5-359(5), Mississippi Code Annotated (1972)*.

**Recommendation:** We recommend the Lamar County School District ensure compliance by maintaining a sufficient amount of funds in the Unemployment Compensation Fund, as required by state law.

**Repeat Finding:** No.

**District's Response:** Lamar County School District acknowledges this finding. As of June 30, 2021, the District has restored the unemployment compensation fund balance to an acceptable level as per state law based on our current number of employees.

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**Finding 3:** The School District Should Ensure Compliance with State Law over Statement of Economic Interest.

**Applicable State Law:** *Section 25-4-25, Miss. Code Ann. (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, Miss. Code Ann. (1972)*, provides that "1) Required statements hereunder shall be filed as follows: a) Every incumbent public official required....to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration.....2) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...a fine of Fifty Dollars (\$50.00) 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 review of the School District's Statements of Economic Interest, the auditor noted one Board member did not file a Statement of Economic Interest before May 1<sup>st</sup>.

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 School District.

**Recommendation:** We recommend the Lamar County School District ensure compliance over Statements of Economic Interest by ensuring School Board members file a Statement of Economic Interest annually, no later than May 1<sup>st</sup> of each year that such officials holds office, regardless of the duration.

**District's Response:** Lamar County School District acknowledges this finding and the School Board has been made aware of this requirement. Management will follow up with the School Board each year prior to May 1<sup>st</sup> to ensure this requirement is met timely.

**Repeat Finding:** No.

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**Finding 4:** 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 Forms 4Bs, the auditor noted the following exceptions out of 47 tested:

- Two retirees were paid more than the salary allowed by PERS, totaling **\$2,055**;
- Eight PERS Form 4Bs did not have evidence of a complete retirement date;
- Twenty PERS Form 4Bs did not have evidence of being filed within five days of rehire; and
- Twenty – one PERS Form 4Bs were not filed within five days of rehire.

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

**Recommendation:** We recommend the Lamar County School District ensure compliance over rehiring retirees by properly completing the required Form 4Bs and submitting the forms to PERS within five days from the date of reemployment, as required by state law.

**District’s Response:** We have changed our process and reminders to the schools to ensure that retirees complete the Form 4B within 5 days of returning to work. The form 4B will be forwarded to PERS within 5 days of reemployment of a retiree. Two retirees were paid through the school recognition program. The information for this program received from MDE states that the payment was not subject to PERS withholding. In the future, we will review and revise the Form 4B if wages change for the retiree.

**Repeat Finding:** No.

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**Finding 5:** The School District Should Ensure Compliance with State Law 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.

*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.”

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.

**Finding Detail:** During the testing of the School District’s surety bonds, the auditor noted the five Board Members and the Superintendent were bonded with a Continuation/Rider bond.

**Recommendation:** We recommend the Lamar County School District ensure compliance over surety bonds 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.

**Repeat Finding:** No.

**District's Response:** The Lamar County School District acknowledges this finding and will ensure the new bonds are secured every four years in accordance with applicable statute.

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#### **OTHER RECOMMENDATIONS MADE BY THE OFFICE OF THE STATE AUDITOR**

The Office of the State Auditor recommends that the School Board consider obtaining new surety bonds for one Purchase Agent and 18 Principals. As noted during our test work, most of these officials and employees are covered by "continuation certificates" or renewals. 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.

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**End of Report**





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## COMPLIANCE REVIEW FINDINGS

September 12, 2022

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

Dear Mr. White:

The Lamar County School District has reviewed the report of findings 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 Law over Sixteenth Section Appraisals, Deposit Receipts and Lease Payments

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The Lamar County School Board will ensure lease payment are received, deposited and recorded timely and in accordance with MS Code Section 29-3-57. Appraisals are currently obtained and retained for leases, if applicable.
- B. Lamar County School Board, Dr. Steven Hampton, Superintendent of Education and Kevin Harless, 16<sup>th</sup> Section Land Manager
- C. This action has been implemented.

Finding 2: Ensure Compliance with State Law over Unemployment Compensation Fund

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The district has restored the Unemployment Compensation fund balance to an acceptable level as per state law based on our current number of employees. This will be monitored and maintained.
- B. Jennifer Hession, Business Manager
- C. This action has been implemented.

Finding 3: Ensure Compliance with State Law over Statement of Economic Interest

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The Lamar County School Board has been made aware of this requirement. Management will remind and follow up with the School Board each year prior to May 1<sup>st</sup> to ensure this requirement is timely met.
- B. Dr. Steven Hampton, Superintendent of Education and Jennifer Hession, Business Manager
- C. This action has been implemented.

Finding 4: Ensure Compliance with State Law over Reemployment of Retired Public Employees

Response: This District concurs with the finding.

Corrective Action Plan:

- A. We have changed our process and reminders to schools to ensure that retirees complete the Form 4B within 5 days of returning to work. The Form 4B will be forwarded to PERS within 5 days of reemployment of a retiree. We will review and revise the Form 4B if wages change for any retiree.
- B. Jennifer Hession, Business Manager; Chris Wooten, Human Resources Director, and Natalie Turnage, Payroll Manager.
- C. This action has been implemented

Finding 5: Ensure Compliance with State Law over Surety Bonds

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The Lamar County School District will ensure new bonds are secured every four years in accordance with MS Code Section 25-1-15(2).
- B. Jennifer Hession, Business Manager
- C. This action has been implemented.

Sincerely,



Dr. Steven Hampton  
Superintendent of Education