

LOUISVILLE PUBLIC 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
Director, *Financial and Compliance Audit Division*



*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age or disability.*



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

September 20, 2021

Limited Internal Control and Compliance Review Management Report

Louisville Public School Board
891 South Columbus Avenue
Louisville, MS 39339

Dear Members of the Louisville Public School Board:

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

1. Ensure Compliance with State Laws over Obtaining Quotes for Purchases over \$5,000 but not over \$50,000;
2. Ensure Compliance with State Laws over Statements of Economic Interest;
3. Ensure Compliance with State Laws over Reemployment of Retired Public Employees;
4. Ensure Compliance with State Laws over Sixteenth Section Tax Payments;
5. Ensure Compliance with State Laws over Background Checks for Certified Employees; and
6. Ensure Compliance with State Laws over Surety Bonds.

Please review the recommendations and submit a plan to implement them by October 20, 2021. 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 Louisville Public 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 C. 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 Louisville Public School District for the year ended June 30, 2020. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA; Charlotte Duckworth; Brooke Seals; and Max Seage.

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.

While performing our review, we noted certain instances of noncompliance with laws and regulations that require the attention of management. These matters are noted under the headings **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 1: The School District Should Ensure Compliance with State Laws over Obtaining Quotes for Purchases Over \$5,000 but Not Over \$50,000.

Applicable State Laws: *Section 31-7-13(b), Mississippi Code Annotated (1972)*, states, in part, that purchases which involve an expenditure of more than \$5,000 but not more than \$50,000, maybe made without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained.

Section 31-7-13(m)(viii), Mississippi Code Annotated (1972), states, "Noncompetitive items available from one (1) source only. In connection with the purchase of noncompetitive items only available from one (1) source, a certification of the conditions and circumstances requiring the purchase shall be filed by the agency with the Department of Finance and Administration and by the governing authority with the board of the governing authority."

Finding Detail: During the testing of the School District's purchasing expenditures, the auditors noted the following issues of noncompliance:

- One (1) purchase was made from Curriculum Associates, Inc. without bids/quotes or Board approval totaling **\$23,142**; and
- One (1) purchase for time clocks, totaling **\$5,015**, from Central Access Corporation was documented as a sole – source purchase; however, this purchase does not meet the criteria as a sole – source purchase and was without bids/quotes or Board approval.

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

Recommendation: We recommend the Louisville Public School District ensure compliance with state purchasing laws by properly obtaining competitive bids or approving and obtaining documentation for valid sole-source purchases for purchases over \$50,000. Additionally, the Board should spread these actions upon its minutes.

District Response: We are aware of this and will comply.

Repeat Finding: No.

Finding 2: The School District Should Ensure Compliance with State Laws over Completing/Filing Statements of Economic Interest.

Applicable State Law: *Section 25-4-25, Mississippi Code Annotated (1972)*, states, “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...;” (b) Members of local school boards that administer public funds, regardless of whether such members are elected or appointed...”

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.”

Section 25-4-29(2), Mississippi Code Annotated (1972), states, “Any person who fails to file a statement of economic interest within thirty (30) days of the date the statement is due shall be deemed delinquent by the commission. The commission shall give written notice of the delinquency to the person by United States mail or by personal service of process. If within fifteen (15) days of receiving written notice of delinquency the delinquent filer has not filed he statement of economic interest, a fine of Fifty Dollars (\$50) per day, not to exceed a total fine of One Thousand Dollars (\$1,000), shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest in not properly filed.”

Finding Detail: During the review of the School District’s Statements of Economic Interest, the auditors noted that five Board members did not file their statements by May 1st, as required by state law.

Failure to file the Statement of Economic Interest annually resulted in noncompliance 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 Louisville Public School District strengthen internal controls to ensure that Board members file the Statement of Economic Interest annually, no later than May 1st of each year that such official holds office, regardless of the duration.

District Response: We are aware of this and will address the importance of this statute to the Board members.

Repeat Finding: No.

Finding 3: The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Applicable State Laws: *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.”

Finding Detail: During the review of the School District’s PERS Form 4Bs, the auditors noted the following exceptions:

- Thirty-six Form 4Bs were not filed within five days of rehiring the employees; and
- Four Form 4Bs were not properly completed by the District.

Failure to comply with *Section 25-11-127* could result in overpayments, and the assessment of fines and penalties against the School District by PERS.

Recommendation: We recommend the Louisville Public School District ensure compliance with state laws 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 Response: We are aware of this and have since complied with this statute as of the Board – approved rehires for the FY21 school year in March 2020.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Laws over Sixteenth Section Tax Payments.

Applicable State Laws: *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 taxes 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 auditors noted one lease agreement’s taxes was more than sixty (60) days delinquent; however, the lease agreement was not terminated.

Failure to terminate lease agreements due to non-payment of property taxes results in noncompliance with state laws and regulations.

Recommendation: We recommend that the Louisville Public School District ensure leases that are delinquent in taxes are terminated, as required by state law.

District Response: We are aware of this and will comply.

Repeat Finding: No.

Finding 5: The School Board Should Ensure Compliance with State Laws over Background Checks for Certified Employees.

Applicable State Laws: *Section 37-19-7, Mississippi Code Annotated (1972)*, states, in part, that current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and

registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board of Education or at such local school district prior to July 1, 2000. Ultimately, the criminal records information and registry must be kept on file for any and all new hires.

Finding Detail: During the testing of the School District's certified employees' files, the auditors noted the District did not obtain background checks to maintain on file for ten of its certified employees.

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

Recommendation: We recommend the Louisville Public School District ensure to obtain and maintain on file current criminal background checks for all new hires, as required by state law.

District Response: We are aware of this and will comply.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Laws over Surety Bonds.

Applicable State Laws: *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) year 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."

Finding Detail: During the review of the School District's surety bonds, the auditors noted that one Board member did not possess a current surety bond on file; rather they had 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 periods. Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds.

Recommendation: We recommend the Louisville Public School District ensure that new bonds are secured 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 employees statutorily required. Additionally, the Board should ensure all bonds for all employees and officials are filed with the Chancery Clerk's office.

District Response: We are aware of this, and it will be corrected upon expiration. This particular Board member was re-elected to her position. During this time, the insurance company only sent continuation certificates. Since this continuation certificate was issued, the insurance company has sent current surety bonds and no continuation certificates.

Repeat Finding: No.

End of Report



Louisville Municipal School District

David Luke, Superintendent
P.O. BOX 909 - 891 S. COLUMBUS AVE.
LOUISVILLE, MISSISSIPPI 39339
PHONE (662) 773-3411 FAX (662) 773-4013

COMPLIANCE REVIEW FINDINGS

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

09/21/2021

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the normal election cycle of the local government applicable to the employees statutorily required. Additionally, the Board should ensure all bonds for all employees and officials are filed with the Chancery Clerk's office.

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Repeat Finding: No.

Sincerely,

A handwritten signature in black ink, appearing to read "David Luke". The signature is fluid and cursive, with the first name "David" and last name "Luke" clearly distinguishable.

David Luke
Superintendent