

MERIDIAN 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*
Charlotte L. Duckworth
Director, *Compliance Audit Division*



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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

January 4, 2022

Limited Internal Control and Compliance Review Management Report

Meridian Public School Board
1019 25th Avenue
Meridian, MS 39301

Dear Members of the Meridian Public School Board:

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

1. Strengthen Internal Controls over Activity Fund Receipts and Deposits;
2. Ensure Compliance with State Laws over Sixteenth Section Interest Funds and Transfers.
3. Ensure Compliance with State Laws over Sixteenth Section Tax and Lease Payments;
4. Ensure Compliance with State Laws over Statements of Economic Interest;
5. Ensure Compliance with State Laws over Expenditures;
6. Ensure Compliance with State Laws over Surety Bonds; and
7. Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Please review the recommendations and submit a plan to implement them by **August 3, 2020**. 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 Meridian Public School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

Meridian Public School District

November 17, 2021

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A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive style with a large initial 'S'.

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 Meridian Public 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 control that we consider to be *significant deficiencies*. These matters are noted under the heading **SIGNIFICANT DEFICIENCIES**.

In addition, 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**. OSA has made some recommendation for management consideration that are not in violation with state law.

SIGNIFICANT DEFICIENCY

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

Internal Control Deficiency: *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the 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 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 funds, auditors noted the following instances:

- Eleven instances in which deposits were less than total ticket sales, totaling **\$177**;
- Twenty-three instances in which deposits were in excess of ticket sales, totaling **\$276**; and
- Six instances in which deposits two to 17 days late.

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 Meridian Public School District strengthen controls over activity funds by enforcing policies and procedures to ensure receipts from all activity funds are safeguarded, properly recognized, recorded, and deposited timely.

District Response: Management will implement procedures to ensure that all activity fund revenue is correctly earned, recorded, and deposited in a timely manner in order to safeguard the assets of the school district.

Repeat Finding: No

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Ensure Compliance with State Laws over the Transfer of Sixteenth Section Interest Funds.

Applicable State Law: *Section 29-3-117, Mississippi Code Annotated (1972)*, states, “All expendable sixteenth section revenues to which a school district shall become entitled, as provided in *Sections 29-3-115 through 29-3-123* from annual rents, interest and other sources shall be paid into the maintenance or building fund of the school district entitled thereto on order of the board of education.”

Finding Detail: During the review of the School District’s sixteenth section interest funds, auditors noted a transfer from the sixteenth section interest fund, totaling **\$589,400**, for a ten – year construction project; however, there was no Board approval for the transfer spread upon the official Board minutes.

Failure to obtain approval for the transfer of sixteenth section interest funds resulted in the noncompliance with *Mississippi Code Section 29-3-117*.

Recommendation: We recommend the Meridian Public School District ensure compliance over sixteenth section interest funds by approving all transfers from the sixteenth section interest funds are Board approved and spread upon its minutes with an explanation of the transfer, as required by *Section 29-3-117, Mississippi Code Annotated (1972)*.

District Response: Management will comply with *Section 29-3-117, Mississippi Code Annotated (1972)* and ensure that transfers from the principal fund are authorized upon order of the board of education.

Repeat Finding: No.

Finding 3: The School District Should Ensure Compliance over Sixteenth Section Tax Payments.

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 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 leases, out of 20 tested, auditors noted four lease agreements’ taxes were paid more than 60 days after February 1; however, the lease agreements were not terminated, totaling **\$352**.

Failure to terminate lease agreements due to the non-payment of property taxes resulted in non-compliance with state laws and regulations.

Recommendation: We recommend the Meridian Public School District ensure compliance over sixteenth section leases by ensuring property taxes are paid by February 1st annually on sixteenth section lands, as required by laws and regulations.

District Response: Management will implement procedures to ensure that sixteenth section land leases are terminated upon a 60 – day default payment of any rentals or taxes according to the terms of the lease.

Repeat Finding: No

Finding 4: The School District Should Ensure Compliance with State Laws over 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...” *Section 25-4-29, Mississippi Code Annotated (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 duration2) 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) 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 is not properly filed. The commission shall enroll such assessment as a civil judgement 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, auditors noted that four Board members did not file the form by May 1st annually while in office, as required by state law.

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 Meridian Public School District ensure compliance over SEIs by ensuring that 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 Response: Management will communicate to the School Board Members the state laws related to the Statements of Economic Interest to ensure timely submission.

Repeat Finding: No

Finding 5: The School District Should Ensure Compliance with State Laws over Expenditures.

Applicable State Law: *Section 37-61-19, Mississippi Code Annotated (1972)*, states, “It shall be unlawful for any contract to be entered into or any obligation incurred or expenditure made in excess of

the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within the fund”

Finding Detail: During the review of the School District’s amended budget for fiscal year 2019, auditors noted the expenditures for **Fund 2290** (Consolidated Cost Pool Fund) exceeded resources available and was unbudgeted for the audit year, totaling **\$172,487**.

Failure for the District to ensure there are available resources for all expenditures could result in deficit fund balances.

Recommendation: We recommend the Meridian Public School District ensure compliance over expenditures by ensuring all funds have available resources before expenditures are approved, as required by state law.

District Response: Management will implement procedures to ensure that actual expenditures do not exceed the final amended budget. During fiscal year 2019 the expenditures for the Consolidated Cost Pool were accounted for in Fund 2219. The expenditures were moved to Fund 2290 at year-end however the budget remained in Fund 2219.

Repeat Finding: No.

Finding 6: The School Board 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, auditors noted the following employees’ bonds were continuation certificates:

- Six Board members; and
- Superintendent.

A “Continuation Certificates” 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.

Recommendation: We recommend the Meridian Public School District ensure compliance over surety

bonds by strengthening procedures to ensure officials and employees are properly bonded, as required by state laws.

District Response: Management will obtain definite term surety bonds for employees as required by state law.

Repeat Finding: No.

Finding 7: 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.”

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 employees, auditors noted the following instances of non-compliance, out of 49 tested:

- One instance where an employee was overpaid, totaling **\$2,541**;
- Three instances where the PERS Form 4Bs did not indicate the date of retirement of the employee;
- One instance where the PERS Form 4B did not indicate evidence of the filing date to PERS;
- One instance in which there was no PERS Form 4B on file for an employee;
- Twenty-three instances where the PERS Form 4B were not filed with PERS within the required five days of rehire date; and
- Five instances where the PERS Form 4B was signed one to three months before or after Board’s approval of rehire.

Failure to file the Form 4Bs as required by PERS could result in the overpayment of a retiree and the District being assessed penalties by PERS.

Recommendation: We recommend the Meridian Public School District ensure compliance over rehiring of retired employees by properly completing the required Form 4Bs, properly paying salaries allowed by PERS, and submitting the forms to PERS within five days from the date of reemployment.

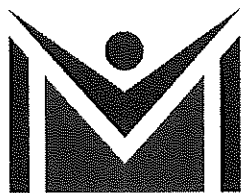
District Response: Management will implement procedures to ensure compliance with laws and regulations as it pertains to rehire of retirees as stated.

Repeat Finding: No.

Other Recommendations by Office of the State Auditor

OSA recommends that the School Board consider obtaining surety bonds for Principals, Business Manager, and Purchasing Agents. As noted during our test work, 15 Principals and 17 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



MERIDIAN
PUBLIC SCHOOL DISTRICT

Central Administrative Office

1019 25th Avenue
Meridian, MS 39301
601-484-4915

Dr. Amy Carter
Superintendent
amcarter@mpsdk12.net

COMPLIANCE REVIEW FINDINGS

November 17, 2021

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

Dear Mr. White,

The Meridian Public School District has received the report of findings from the Limited Internal Control and Compliance Review audit conducted for the fiscal year ending June 30, 2020. Enclosed for your review are the responses and corrective action plans.

AUDIT FINDINGS:

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

Finding Detail:

- Eleven (11) instances in which deposits were less than total ticket sales totaling \$177
- Twenty-three (23) instances in which deposits were in excess of ticket sales totaling \$276
- Six (6) instances in which deposits two (2) to seventeen (17) days late

Response: Meridian Public School District concurs with this finding.

Corrective Action Plan:

- a. MPSD is transitioning to event tickets purchased online with minimal tickets sold at the gate.
- b. Carolyn Davis, Chief Financial Officer (CFO); Cheyenne Trussell, Director of Athletics
- c. This item has been corrected.

Finding 2: The School District Should Ensure Compliance with State Laws over the Transfer of Sixteenth Section Interest Funds

Finding Detail: Transfer from the sixteenth section interest fund totaling \$589,400 did not have Board approval for the transfer spread upon the official minutes of the Board.

Response: Meridian Public School District concurs with this finding.

Corrective Action Plan:

- a. Chief Financial Officer did not realize that it needed board approval since it was approved in the budget for the transfer. Future sixteenth section transfers will have Board approval and will be spread upon the official minutes of the Board.
- b. Carolyn Davis, Chief Financial Officer(CFO)
- c. This item has been corrected.

Finding 3: The School District Should Ensure Compliance over Sixteenth Section Tax Payments

Finding Detail: Four (4) lease agreements taxes were paid more than sixty (60) days after February 1st; however, the lease agreements were not terminated totaling \$352.

Response: Meridian Public School District concurs with this finding.

Corrective Action Plan:

- a. MPSD will verify that taxes are paid by February 1st for sixteenth section leases. Attempts will be made to notify the leaseholder of taxes due. Leases over 60 days late will be presented to the Board for consideration of cancellation at the board meeting.
- b. Carolyn Davis, Chief Financial Officer (CFO)
- c. This item has been corrected.

Finding 4: The School District Should Ensure Compliance with State Laws over Statements of Economic Interest

Finding Detail: Four (4) Board members did not file the form by May 1st annually while in office.

Response: Meridian Public School District concurs with this finding.

Corrective Action Plan:

- a. The District will add the filing requirement to its Board Agenda. In addition, copies of the filings will be requested from board members before May 1st of each year, and the Superintendent's Office will review the Mississippi Ethics Commission website to confirm timely filing.
- b. Responsible person: Dr. Amy Carter, Superintendent
- c. The Superintendent's Office will address compliance on an annual basis moving forward.

Finding 5: The School District Should Ensure Compliance with State Laws over Expenditures

Finding Detail: Consolidated Cost Pool Fund Expenditures exceeded resources available and was unbudgeted for the audit year totaling \$172,487.

Response: Meridian Public School District concurs with this finding.

Corrective Action Plan:

- a. The District implemented procedures to ensure that actual expenditures do not exceed the final amended budget.
- b. Responsible person: Carolyn Davis, Chief Financial Officer (CFO)
- c. This item has been corrected.

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

Finding Detail: Six (6) Board Members and Superintendent bonds were continuation certificates.

Response: Meridian Public School District concurs with this finding.

Corrective Action Plan:

- a. Continuation certificates have been replaced with bonds for a defined period of time.
- b. Carolyn Davis, Chief Financial Officer (CFO)
- c. This item has been corrected.

Finding 7: The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees

Finding Detail:

- One (1) employee was overpaid, totaling \$2,541
- Three (3) of the forms did not indicate the date of retirement of the employee
- One (1) of the 4B forms did not indicate evidence of the filing date to PERS
- One (1) instance in which there was no Form 4B on file for an employee
- Twenty-three (23) 4B Forms were not filed with PERS within the required five days of rehire date
- Five (5) of the 4B forms were signed one (1) to three (3) months before or after Board's approval of rehire

Response: Meridian Public School District concurs with this finding.

Corrective Action Plan:

- a. The Human Resources Department will inform retirees of their compensation limits before employment. In addition, the Human Resources Department will coordinate with the Business Office to track retiree compensation to ensure that retirees do not exceed the compensation amount allowed by PERS. Controls over the onboarding process will be strengthened to ensure

the retirees complete and return Form 4Bs before the commencement of employment. The Form 4Bs will be submitted to PERS no later than the day following completion, and the submission date will be documented.

- b. Responsible Person: Kimberly Kendrick, Human Resources Director
- c. This item has been corrected.

Please do not hesitate to contact me if additional information is needed.

Respectfully,

A handwritten signature in cursive script, appearing to read "Amy Carter".

Dr. Amy Carter
Superintendent