

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

Pontotoc City School District
140 Educational Drive
Pontotoc, Mississippi 38863

Members of the Pontotoc City School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for Pontotoc City School District for the fiscal year 2020. In these findings, the Office of the State Auditor recommends that Pontotoc City School District:

1. Strengthen Internal Controls over Activity/Athletic Fund Cash Receipts and Deposits;
2. Strengthen Controls and Ensure Compliance with State Laws over Travel Reimbursements;
3. Ensure Compliance with State Laws over Sole-Source Purchases;
4. Ensure Compliance with State Laws over Purchases over \$50,000;
5. Ensure Compliance with State Laws over Purchasing Laws;
6. Ensure Compliance with State Laws over Procurement Card Purchases;
7. Ensure Compliance with State Laws over Statements of Economic Interest; and
8. Ensure Compliance with State Law 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.

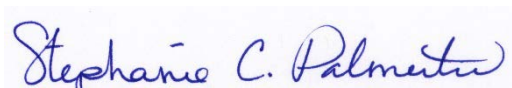
During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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 Pontotoc City School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Pontotoc City School District
September 20, 2021
Page **4** of **12**

Sincerely,

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 Pontotoc City School District for the year ended June 30, 2020. The Office of the State Auditor's staff members participating in this engagement included Brandon Armstrong, Kimberly Fitts, and Shelly McKee.

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 over financial reporting that we consider to be *significant deficiencies*. These matters are noted under the heading **SIGNIFICANT DEFICIENCY**. We also identified other deficiencies that we have noted under the heading **OTHER CONTROL DEFICIENCY**.

We noted certain instances of noncompliance with state laws that require the attention of management. These matters are noted under the headings **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.

SIGNIFICANT DEFICIENCY

Finding 1: The School District Should Strengthen Internal Controls over Receipts and Deposits for Activity/Athletic Events.

Internal Control Deficiency: 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.

District Board Policy, Section D, Policy DK- Student Activities Fund Management, states, "A person remitting activity fund 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 must be deposited daily..."

Finding Detail: During the testing of the School District's activity/athletic fund revenue, the auditors noted the following weaknesses in internal controls:

- Thirty deposits were made three to five days late;
- Fourteen deposits were in excess of ticket sales, totaling \$57;

- Twenty deposits were less than ticket sales, totaling \$85;
- Seven count sheets were not completed;
- Thirty-nine count sheets were not signed by the verifier;
- Four count sheets did not have the signature of the ticket seller;
- All 58 games did not have transmittal forms; and
- There was one additional instance where no pre-numbered tickets were utilized for the game celebrating the award for being an “A” school district. Paid admissions for others attending the game should have been accounted for utilizing pre-numbered tickets.

Inadequate internal controls related to athletic fund revenue collections and receipting could result in a loss of assets and improper revenue recognition.

Recommendation: We recommend the Pontotoc City School District strengthen internal controls over policies and procedures to ensure receipts from all activity funds are safeguarded, properly recognized, and recorded.

Official Response: We will utilize a separate sequence of pre-numbered tickets in the future, along with a new gate receipt form that complies with Mississippi Department of Education requirements. We will make sure deposits are made on a timelier basis in the future.

Repeat Finding: No.

OTHER CONTROL DEFICIENCY AND NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Strengthen Controls and Ensure Compliance with State Laws over Travel Reimbursements.

Internal Control Deficiency: Management is responsible for insuring that all travel reimbursements expenditures are correctly recorded, allowed, and documented, as required by the Department of Finance and Administration. Proper internal controls would include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms. Proper internal controls would include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms.

Board Policy, Section D, Policy DJD – Expense Reimbursements, states, “...For each mile actually and necessarily traveled in the employees’ automobile or other private motor vehicle, the same rate of pay per mile as set by the Mississippi Department of Finance and Administration ...Employees shall be reimbursed for other actual expenses such as meals, lodging, other necessary expenses incurred in the course of such travel, subject to limitation placed on meals for intrastate and interstate official travel by the Mississippi Department of Finance and Administration and rules and regulation adopted by the Mississippi Department of Audit.”

Applicable State Laws: *Section 25-3-41(1), Mississippi Code Annotated (1972)*, states, “Subject to the provisions of subsection (10) of this section, when any officer or employee of the State of Mississippi, or any department, agency or institution thereof, after first being duly authorized, is required to travel in the performance of his official duties, the officer or employee shall receive as expenses for each mile actually and necessarily traveled, when the travel is done by a privately owned automobile or other privately owned motor vehicle, the mileage reimbursement rate allowable to federal employees for the use of a privately owned vehicle while on official travel.”

Section 25-3-41(4), Mississippi Code Annotated (1972), states, “ In addition to the foregoing, a public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the travel, subject to limitations placed on meals for intrastate and interstate official travel by the Department of Finance and Administration, provided, that the Legislative Budget Office shall place any limitations for expenditures made on matters under the jurisdiction of the Legislature. The Department of Finance and Administration shall set a maximum daily expenditure annually for such meals and shall notify officers and employees of changes to these allowances immediately upon approval of the changes.”

Finding Detail: During the testing of the School District’s travel reimbursements, the auditors noted the following exceptions:

- Six travel vouchers where no corroborating evidence was maintained;
- Seven travel request forms were not completed for approval;
- There were two instances in which an employee claimed **\$45** more than the daily allowance, per the Department of Finance and Administration (DFA)’s regulations; and
- On January 1, 2020, the DFA decreased the mileage rate from \$0.58 to \$0.575. Management did not ensure this change was implemented; therefore, six travel mileage reimbursements were overpaid, totaling **\$17**.

Failure to have adequate controls surrounding the School District’s reimbursements could result in waste, fraud, and abuse of public funds.

Recommendation: We recommend the Pontotoc City School District strengthen internal controls over expense reimbursements to ensure compliance with the School District’s Board policy and state statutes referenced above.

Official Response: The mileage rate has been corrected. We will take care to follow correct procedures in the future.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 3: The School District Should Ensure Compliance with State Laws over Sole-Source Purchases.

Applicable State Law: *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)(l)*, 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)(l)*, to create an exemption to that prohibition. *Section 31-7-13(c)(iv)(l)* provides the following: Specification 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 service 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 audit procedures performed of expenditures and review of the Board minutes, the auditors noted that three purchases from Apple, Inc. categorized as “sole source.” The District relied on a letter from Apple, Inc., which stated that Apple, Inc. was a sole – source provider; however, by definition of sole source in Mississippi purchase law and as defined by the Attorney General of Mississippi, vendors cannot claim sole-source distinction based on trademark or copyright of a brand. While Apple, Inc. produces Apple products such as the MacBook and iPad, similar laptops and tablets are produced by other vendors. Additionally, Apple products can be purchased from third party vendors and are not distinctly sold by Apple, Inc.

Failure to properly approve sole – source purchases in the Board minutes, resulted in noncompliance with the aforementioned section code.

Recommendation: We recommend the Pontotoc City School District ensure compliance with state purchasing laws by ensuring valid sole-source purchases are individually approved in the Board minutes.

Official Response: We will make every effort to conform to the code requirements in the future.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Laws Over Obtaining Quotes for Purchases Over \$50,000.

Applicable State Laws: *Section 31-7-13(c), Mississippi Code Annotated (1972)*, states that the District may purchase from the lowest and best bidder after advertising for two consecutive weeks in the local newspaper when the expenditure is in excess of \$50,000, exclusive of freight and shipping charges.

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. Upon receipt of that certification the Department of Finance and Administration or the board of the governing authority, as the case may be, may, in writing, authorize the purchase, which authority shall be noted on the minutes of the body at the next regular meeting thereafter. In those situations, a governing authority is not required to obtain the approval of the Department of Finance and Administration. Following the purchase, the executive head of the state agency, or his designees, shall file with the Department of Finance and Administration, documentation of the purchase, including a description of the commodity purchased, the purchase price thereof and the source from whom it was purchased.”

Finding Detail: During the testing of purchasing and review of the School Board minutes, the auditors noted the following exceptions:

- Board members approved one sole – source purchase of audio enhancement products from Howard Technology totaling **\$152,609**; however, the vendor is not a sole source; and
- Fourteen sole – source purchases were approved by the Board in groups instead of spread upon the Board minutes individually.

Failure by the School District to advertise purchases for competitive bids or properly approve sole-source purchases resulted in noncompliance with state purchasing laws.

Recommendation: We recommend the Pontotoc City School District ensure compliance with *Mississippi Code Section 31-7-1(c)* or *31-7-13(m)(viii)* 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.

Official Response: We will make every effort to conform to the code requirements in the future.

Repeat Finding: No.

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

Applicable State Laws: *Section 31-7-13(b) Mississippi Code Annotated (1972)*, states, “Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained.”

Section 31-7-13(o), Mississippi Code Annotated (1972), states, “No contract or purchase as herein authorized shall be made for the purpose of circumventing the provisions of this section requiring competitive bids, nor shall it be lawful for any person or concern to submit individual invoice for amounts within authorized for a contract or purchase where the actual value of the contract or commodity purchased exceeds the authorized amount and the invoices therefor are split so to appear to be authorized as purchases for which competitive bids are not required.”

Section 31-7-113, Mississippi Code Annotated (1972), states, “The State Department of Audit shall design and prescribe the form of the inventory to be made, the form of the purchase order, the form of the receiving report; prescribe system of filling and prescribe the system of records necessary for the maintenance of a central purchasing system.”

Section 31-7-305(2), Mississippi Code Annotated (1972), states, “All public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks no later than forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods or services.”

Finding Detail: During our review of Pontotoc City School District’s purchasing, the auditors noted the following exceptions:

- Five invoice payments were not made within 45 days of the invoice date;
- Online shopping carts were utilized as quotes for 14 expenditures;
- Eighteen claims did not have purchase requisitions;
- Three quotes were not signed;
- Three quotes were not comparable;
- Two quotes were dated prior to the requisition date; and
- Three claims from CDW Government – Chromebook Carrier were split to circumvent the bid/quote requirements. These items totaled **\$11,200**.

Failure to follow purchasing laws could result in fraud or misappropriation of public monies.

Recommendation: We recommend the Pontotoc City School District ensure compliance with state purchasing laws by this are followed and monitored to ensure compliance with the aforementioned state statutes.

Official Response: We will make every effort to conform to the code requirements in the future.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Laws over Procurement Card Purchases.

Applicable State Law: *Section 27-65-105, Mississippi Code Annotated*, states, “The exemption from the provisions of this chapter which are of a governmental nature or which are more properly classified as governmental exemptions than any other exemption classification of this chapter shall be confined to those persons or property exempted by this section or by provisions of the Constitutions of the United States or the State of Mississippi...The tax levied by this chapter shall not apply to the following: (a) Sales of property, labor, services or products taxable under *Sections 27-65-17, 27-65-19, 27-65-23 and 27-19-26*, when sold to and billed directly to and payment therefor is made directly by ... school districts of said counties and municipalities.”

Finding Detail: During the testing of the School District’s procurement cards, the auditors noted eight out of 24 instances where the District paid state and local taxes on hotel reservations, totaling **\$173**.

Failure to ensure proper exemptions are taken could result in fraud, misappropriation, or loss of public funds.

Recommendation: We recommend the Pontotoc City School District ensure that state and local taxes on hotel reservations are properly exempted prior to issuing payment for the procurement card purchases.

Official Response: We will provide the exemption information to avoid paying sales tax in the future.

Repeat Finding: No.

Finding 7: 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, the auditors noted that five Board members did not file their form by May 1st while in office, as required by state law.

Failure to file a Statement of Economic Interest results in noncompliance with *Section 25-4-2* 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 Pontotoc City School District Board members file their Statements of Economic Interest, no later than May 1st of each year that such officials hold office, regardless of the duration to ensure compliance with state law

Official Response: Board members will complete and file their Statements of Economic Interest.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Laws over Surety Bonds.

Applicable 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."

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. Such bond shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located, and shall 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 37-39-21, 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 (\$50,000.00), with sufficient surety. Such bonds shall be payable, conditioned and approved in the manner provided by law, and shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located. The premium on said bond shall be paid out of the school district(s) maintenance fund(s)."

Finding Detail: During the review of the School District's surety bonds, the auditors noted the bonds of the following District employees were either a continuation certificate or for an indefinite term:

- One Board member;
- Six Principals; and
- One Purchasing Agent.

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 Pontotoc City School District secure 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 to ensure compliance with state law.

Official Response: We are in the process of getting the bonds redone to comply with requirements.

Repeat Finding: No.

End of Report



PONTOTOC CITY SCHOOL DISTRICT
"Cultivating Warriors of Distinction"

Dr. Michelle Bivens, Superintendent

COMPLIANCE REVIEW FINDINGS

October 11, 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 Pontotoc City School District has received the report of findings from the Limited Internal Control and Compliance Review Management Report for the year ended June 30, 2020. Please see below for the summary of responses and corrective action plans.

AUDIT FINDINGS:

Finding 1: The School District Should Strengthen Internal Controls over Receipts and Deposits for Activity/ Athletic Events

Finding Detail: During the testing of the School District's activity/ athletic fund revenue, the auditors noted the following weaknesses in internal controls:

- Thirty deposits were made three to five days late;
- Fourteen deposits were in excess of ticket sales, totaling **\$57**;
- Twenty deposits were less than ticket sales, totaling **\$85**;
- Thirty-nine count sheets were not signed by the verifier;
- Four count sheets did not have the signature of the ticket seller;
- All 58 games did not have transmittal forms; and
- There was one additional instance where no pre-numbered tickets were utilized for the game celebrating the award for being an "A" school district. Paid admissions for others attending the game should have been accounted for utilizing pre-numbered tickets.

Response: The District concurs with the finding and will strengthen internal controls to ensure that receipts from activity/ athletic events are made on a timely basis, pre-numbered tickets are used for all events as required by MDE, and district and MDE policies are followed.

Corrective Action Plan:

- a. A school event form that conforms with the MDE Accounting Manual will be used and completed for all events with admissions over \$100. The Athletic Department secretary will verify that all required signature are present.
- b. Separate ticket sequences will be used for general admission and student tickets.
- c. After the event, the deposit will be taken to the night depository at the bank, where the deposit will be made on the next banking day.
- d. Transmittal forms are required to be sent to Central Office within five days after month-end for all activity receipts collected at the school level.
- e. This item has been corrected.

Finding 2: The School District Should Strengthen Controls and Ensure Compliance with State Laws over Travel Reimbursements.

Finding Detail: During the testing of the School District's travel reimbursements, the auditors noted the following exceptions:

- Six travel vouchers where no corroborating evidence was maintained;
- Seven travel request forms were not completed for approval;
- There were two instances in which an employee claimed \$45 more than the daily allowance, per the Department of Finance and Administration (DFA)'s regulations; and
- On January 1, 2020, the DFA decreased the mileage rate from \$0.58 to \$0.575. Management did not ensure this change was implemented; therefore six travel mileage reimbursements were over paid, totaling \$17.

Response: The District concurs with the finding. In the future we will reinforce compliance with the district travel policies and ensure the reimbursements do not exceed the maximum allowed by the IRS or DFA. We will ensure that all required forms are completed prior to travel and subsequent reimbursement.

Corrective Action Plan:

- a. At the beginning of every calendar year, the travel policy will be reviewed and adjusted for any changes in the IRS mileage rate or the per diem rate allowed. The travel policy will then be reviewed and amended accordingly.
- b. The Business Office will ensure that any reimbursements do not exceed amounts allowed and that all required forms have been completed before reimbursement is made.
- c. The District will ensure that all employees are aware of the District travel policy, and the steps required to authorize travel out of district.
- d. This item has been corrected.

Finding 3: The School District Should Ensure Compliance with State Laws over Sole-Source Purchases.

Finding Detail: During audit procedures performed of expenditures and review of the Board minutes, the auditors noted that three purchases from Apple, Inc. were categorized as “sole source”. The District relied on a letter from Apple, Inc. which stated that Apple, Inc. was a sole-source provider, however by definition of sole source in Mississippi purchase law and as defined by the Attorney General of Mississippi, vendors cannot claim sole-source distinction based on trademark or copyright of a brand. While Apple, Inc. produces Apple products such as the MacBook and iPad, similar laptops and tablets are produced by other vendors. Additionally, Apple products can be purchased from third party vendors and are not distinctly sold by Apple, Inc.

Failure to properly approve sole-source purchases in the Board minutes resulted in noncompliance with *Mississippi Code section 31-7-13*.

Response: The District concurs with the finding. In the future, the Board will not approve a purchase as a sole source if a comparable item exists.

Corrective Action Plan: The District will not allow a purchase to be approved with a sole source designation on the basis of brand. The District will identify comparable items from alternate vendors and obtain competitive quotes. The District is monitoring compliance on an ongoing basis.

Finding 4: The School District Should Ensure Compliance with State Laws Over Obtaining Quotes for Purchases Over \$50,000.

Finding Detail: During the testing of purchasing and review of the School Board minutes, the auditors noted the following exceptions:

- Board members approved one sole-source purchase of audio enhancement products from Howard Technology totaling \$152,609; however the vendor is not a sole source; and
- Fourteen sole-source purchases were approved by the Board in groups instead of spread upon the Board minutes individually.

Failure by the District to advertise purchases for competitive bids or properly approve sole source purchases resulted in noncompliance with state purchasing laws.

Response: The District concurs with the finding. Any purchases over \$50,000 will be advertised and bid in accordance with state purchasing law.

Corrective Action:

- a. Any purchases over \$50,000 will be advertised and competitively bid as required by state purchasing law.
- b. All purchases will be approved individually and noted accordingly in the Board minutes.
- c. The District is monitoring compliance on an ongoing basis.

Finding 5: The School District Should ensure Compliance with State Laws over Purchasing.

Finding Detail: During our review of Pontotoc City School District's purchasing, the auditors noted the following exceptions:

- Five invoice payments were not made within 45 days of the invoice date.
- Online shopping carts were utilized as quotes for 14 expenditures;
- Eighteen claims did not have purchase requisitions;
- Three quotes were not signed;
- Three quotes were not comparable;
- Two quotes were dated prior to the requisition date; and
- Three claims from CDW Government - Chromebook Carrier were split to circumvent the bid/quote requirements. These items totaled \$11,200.

Failure to follow purchase laws could result in fraud or misappropriation of public monies.

Response: The fiscal 2020 school year was a time of transition for the District. The district business manager position was open for a portion of the year and the oversight provided by that position was not present. In the future, the District will ensure compliance with all applicable state purchasing laws and statutes.

Corrective Action:

- a. Requisitions are entered electronically and approved through Integrity, the District's software system. The correct purchasing procedures were followed, however the requisitions and approvals from the software system were not printed and attached to the purchase order and invoice. This will be done in the future.
- b. Quotes will be obtained for all items over \$5,000 in accordance with state purchasing law. Purchases of like items will not be split.
- c. The Business Office will work closely with vendors to ensure all invoices are received on a timely basis so that they will be paid within 45 days.
- d. The District is monitoring compliance of these procedures on an ongoing basis.

Finding 6: The School District Should Ensure Compliance with State Laws over Procurement Card Purchases.

Finding Detail: During the testing of the School District's procurement cards, the auditors noted eight out of twenty-four instances where the District paid state and local taxes on hotel reservations, totaling \$173.

Response: The District concurs. In the future, we will ensure that the hotel has our tax exempt information and sales and local taxes are not charged.

Corrective Action:

- a. We will ensure that the District's tax exemption letter is provided to the hotel when a reservation is made.

- b. We will request that all employees review their charges prior to checkout to ensure no sales or local tax has been charged.
- c. The District is monitoring compliance on an ongoing basis.

Finding 7: The School District Should Ensure Compliance with State Laws over Statements of Economic Interest.

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 form by May 1st while in office, as required by state law.

Response: The District concurs and will ensure that all Board members will file their Statement of Economic Interest form by May 1st every year.

Corrective Action: The District will add the filing requirement to the Board Meeting Agenda at the March and April board meetings to ensure that all Board members are in compliance by May 1st. The District will review the Mississippi Ethics Commission website annually to confirm timely filing.

Finding 8: The School District Should Ensure Compliance with State Laws Over Surety Bonds.

Finding Detail: During the review of the School District's surety bonds, the auditors noted the bonds of the following District employees were either a continuation certificate or for an indefinite term:

- One Board member;
- Six Principals; and
- One Purchasing Agent

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, being correctly and sufficiently bonded, could result in the loss of public funds.

Response: The District concurs with this finding, and will ensure that subsequent bonds cover the specific term of the employee contract. No continuation certificates or bonds with indefinite terms will be issued in the future.

Corrective Action:

- a. Bonds will be issued for all required employees with a bond term matching the term of the employee's contract as required by state law. Bonds for Board members will be issued over their term in office, not to exceed four years.
- b. This item has been corrected.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Michelle Bivens", with a long, sweeping horizontal line extending to the right.

Dr, Michelle Bivens
Superintendent, Pontotoc City School District