



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

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White

AUDITOR

February 8, 2022

Limited Internal Control and Compliance Review Management Report

Senatobia Municipal School District
104 McKie Street
Senatobia, Mississippi 38668

Members of the Senatobia Municipal School Board:

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

1. Strengthen Internal Controls over Bank Reconciliations;
2. Strengthen Internal Controls over Budget Approvals;
3. Strengthen Internal Controls over Activity Funds;
4. Strengthen Internal Controls and Ensure Compliance with State Laws over District – Owned Residential Homes;
5. Strengthen Internal Controls and Ensure Compliance with State Laws over Travel Reimbursements;
6. Ensure Compliance with State Laws over Tax Request and Ad Valorem Escrow;
7. Ensure Compliance with State Laws over Purchasing and Payment of Invoices;
8. Ensure Compliance with State Laws over Certified Employees' Salaries and Obtaining Background Checks;
9. Ensure Compliance with State Laws over Statement of Economic Interest Filing; and
10. Ensure Compliance with State Laws over Surety Bonds.

Please review the recommendations and submit a plan to implement them by February 25, 2022. The enclosed findings contain more information about our recommendations.

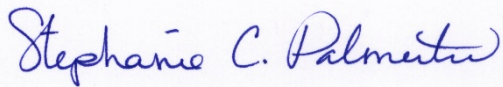
During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

Senatobia Municipal School District
February 8, 2022
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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 Senatobia Municipal School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,



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 Senatobia Municipal 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 over financial reporting that we consider to be *material weaknesses*. These matters are noted under the heading **MATERIAL WEAKNESSES**. 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 DEFICIENCIES**. We also noted certain deficiencies in controls that we noted under the heading **OTHER CONTROL DEFICIENCIES**.

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.

MATERIAL WEAKNESSES AND INSTANCES OF NONCOMPLIANCE

Finding 1: The School District Should Strengthen Internal Controls over Bank Reconciliations.

Internal Control Deficiency: Management is responsible for ensuring that the assets of the District are safeguarded and transactions are properly documented in the District's financial records. A critical aspect outstanding checks to the balance per bank statement to reconcile to the amount of cash that is listed on the general ledger of the District to what is recorded at the bank. The reconciliation process enables the Business Office to make adjusting journal entries to correct any mistakes or unrecorded items in the District's financial records.

Mississippi Department of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board states, "... Presentation of reconciled bank statements should be made at the next regular board meeting after the bank statements are reconciled to the district's general ledger cash balances in a timely and accurate manner."

Finding Detail: During the testing of the School District's bank reconciliations, the auditor noted the two bank accounts, Accounts Payable/Payroll and Money Market, were not properly reconciled to the general ledger's cash balance

Failure to record all transaction in the general ledger and properly reconcile bank statements could result in the misstatement of the District's financial statements, errors, or fraud occurring without being detected in a timely manner.

Recommendation: We recommend the Senatobia Municipal School District strengthen policies and procedures to ensure all transactions are properly recorded in the general ledger and all variances from book balances are accounted for in a timely manner.

District's Response: The \$409,664 difference is the accrued payroll for July 2020, as documented with general ledger journal entry reference #630207310.

Auditor's Note: As noted in the *Mississippi Department of Education Policy Manual, Chapter 71, Rule 71.3*, bank statements should be reconciled to the District's general ledger cash balance timely and accurately. At the completion of fieldwork, the accrued payroll was not reported within the bank reconciliations as outstanding checks.

Repeat Finding: No.

Finding 2: The School District Should Strengthen Internal Controls over Budget Approvals.

Internal Control Deficiency: The Board of Education establishes priorities for the financial management of the District, reviews and approves all presented budgets, and assures expenditures for the District fund are within the legal requirements of the approved budget.

Applicable Laws: *Section 37-61-9, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures form a fund in excess of the resources available within that fund..."

Section 37-61-19, Mississippi Code Annotated (1972), requires the combined budget and combining budgets for each fund type are reflected in the board minutes or an addendum to the board minutes. Both should be signed by both the Board's president and secretary. Signed copies should be filed within the District.

Finding Detail: During the review of the amended budget, the auditor noted the amended budget approved for fiscal year 2021 included three funds reflecting a projected negative fund balance at year end totaling (\$129,504):

- Title I (2211) – (\$80,374)
- Title V Rural & Low Income (2311) – (\$34,018)
- EHA Part B (2610) – (\$15,112)

The presentation of negative fund balances on the budget presented to the board was likely a lack of attention to appropriate budgeting practices. None of the actual fund balances were negative at June 30, 2020; however, the approval of the fund budgets with ending deficit fund balances could result in violation of state law.

Recommendation: We recommend the Senatobia Municipal School District strengthen controls and ensure that it is utilizing sound budgeting practices that will prevent projected negative fund balances from being presented

to the school board, as required by state law. A thorough review of such budgets should be made prior to presentation to the Board for approval.

District's Response: There was a clerical error on close-out of books. I did not amend the budget to actual expenditures on federal funds, which would have zeroed out the projected (-) fund balances. I did not spend in excess of federal dollars allocated.

Repeat Finding: No.

INTERNAL CONTROL DEFICIENCY

Finding 3: The School District Should Strengthen Internal Controls over Activity Funds' 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 to 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 fund receipts and deposits, the auditor noted the following exceptions out of the 37 items tested:

- A net overage of \$29 between deposits and ticket sales for varsity basketball and football games;
- Two cash count sheets were not properly completed.
- Three tickets were "given" to a Principal on a receipt form;
- Signatures on five cash count sheets as the ticket seller and verifier were from the same employee;
- Twenty-six receipts could not be traced to the transmittal sheet due to the transmittal sheets not being submitted; and
- Two game deposits were made three business days after monies were received;

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 Senatobia Municipal School District strengthen controls over policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: The School District administration will meet with high school personnel to develop a new school event form and research transmittal sheet procedure to come up with a process for transmittal sheets with a centralized activity funds scenario.

Repeat Finding: No.

OTHER DEFICIENCIES AND NONCOMPLIANCE WITH STATE LAW

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws over District - Owned Residential Homes.

Internal Control Deficiency: The Trustees of the School Board is responsible for ensuring the assets of the District are safeguarded at all times. The District's Board of Education may not lease its property for less than the fair market value to current employees. Setting rental payments less than the fair market value would constitute an unlawful donation.

Applicable State Laws: *Section 37-9-15, Mississippi Code Annotated (1972)*, and *AG Opinion 1991 WL 577900*, states only after the Board of Education has approved the Superintendent's recommendation, may the Superintendent enter into a contract and have it entered in the minutes.

Attorney General's Opinion 1979 WL 41450 states, the office is unaware of any procedure whereby a school district could allow the use of school-owned residential house rent-free or for less than value."

Mississippi Attorney General Opinion 2015-00433, states, "School buildings, land, property and other related facilities may be sold, conveyed, leased or otherwise disposed of under *Sections 37-7-471 through 37-7-483*, to any charter school, to any group of persons, ... to enhance property values within the district, or to be used for any similar or related purpose activity... "Assuming the Trustees make this determination, there are other statutory requirements that must also be met. *Section 37-7-471*, likewise requires various factual determinations and findings to be made by the Trustees... Subsection (c) requires that the Trustees find that the use of the school building, land, property or other facility for the purpose it is be ...leased will promote and foster the development and improvement of the community in which it is located and the civic, social, educational, cultural, moral, economic or industrial welfare thereof..." "In determining proper terms, conditions, and considerations, the statute requires the Trustees to do so "in consideration of the benefits which will inure to the school district or the community in which the school ...property ...is located by the use thereof for the purpose for which it is...leased. "Obviously, all of these required determinations and findings are factual issues which must be decided by the Trustees. *Section 37-7-477* additionally requires that the lease must contain a provision that title to the property "automatically revert to the school district, if such property shall cease to be used for the purpose for which it is leased ..."

Finding Detail: During the review of residential home owned by Senatobia Municipal School District, the auditor noted the following:

- One Principal is renting the residential home at **\$8,000** per year, which is not included in the employee's supplemental salary or W-2;
- The District does not have a Board approved lease agreement nor is it spread upon its minutes;
- The District maintain repairs and pay all utilities; and
- The School District does not have evidence of an appraisal of its residential home being rented to its employees; therefore, OSA is unable to determine if the home is being rented for no less than its fair market value.

Failure to obtain the fair market value of the District's residential homes and ensure all lease agreements are on file within the District for review and approved by the School Board resulted in the non-compliance with state laws and regulations.

Recommendation: We recommend the Senatobia Municipal School District should ensure all residential homes leased for no less than the fair market value and all lease agreements are approved by the School Board and spread upon its minutes.

District's Response: School District is conferring with Board Attorney to rectify the issue of not having a rental agreement.

Repeat Finding: No.

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws over Travel Reimbursements.

Internal Control Deficiency: Management is responsible for properly safeguarding the assets of the District and ensuring all reimbursements are approved, documented, and allowed.

District policy *Section D Fiscal Management, DJD Travel Reimbursement* states, “Administrative personnel and others who have first been authorized by the superintendent to travel in the performance of their duties shall be reimbursed their expenses by the school district for such travel as indicated below...”

Applicable State Law: *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 auditor noted the following exceptions, out of 19 tested:

- Four travel vouchers did not have corroborating evidence for the purpose of the trip;
- Five travel reimbursements did not have advance approval to attend conventions, associations or meetings, and
- Four travel vouchers approval signatures were not dated.

Lack of adequate controls could result in the fraud, loss, or misappropriation of public funds.

Recommendation: We recommend the Senatobia Municipal School District strengthen controls and ensure compliance by strengthening policies and procedures surrounding reimbursements for professional travel expenses.

District’s Response: Procedures will be put into place to ensure that the purpose and approval of travel will be documented with purchase order for travel reimbursement. Also, agenda and name tag, if possible, will be attached with travel reimbursements. Professional leave forms will be dated at time of approval.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 6: The School District Should Ensure Compliance with State Law over the Tax Request Publication and Ad Valorem Escrow.

Applicable State Laws: *Section 27-39-207(2)(a), Mississippi Code Annotated (1972)*, states, “The school board of the school district shall advertise its intent to increase its ad valorem tax effort in dollars in a newspaper of general circulation in the county. The advertisement shall be no less than one-fourth (¼) page in size and the type used shall be no smaller than eighteen (18) point and surrounded by a one-fourth-inch solid black border. The advertisement shall not be placed in any portion of the newspaper where legal notices and classified advertisements appear.”

Section 27-39-207(2)(b), Mississippi Code Annotated (1972), provides that except as provided for in subsection (1) of this section, if a school district is requesting an increase in ad valorem tax effort in dollars pursuant to *Sections 37-57-105 and 37-57-107*, it shall be in the form stated in law.

Section 37-57-105(3), Mississippi Code Annotated (1972), states, “The aggregate receipts from ad valorem taxes levied for school district purposes, excluding collection fees, pursuant to this section and *Section 37-57-1* shall be subject to the increased limitation under *Section 37-57-107*; however, if the ad valorem tax effort in dollars requested by the school district for the fiscal year exceeds the next preceding fiscal year’s ad valorem tax effort in dollars by more than four percent (4%) but not more than seven percent (7%), then the school board shall publish notice thereof once each week for at least three (3) consecutive weeks in a newspaper having general circulation in the school district involved, with the first publication thereof to be made not less than fifteen (15) days prior to the final adoption of the budget by the school board.”

Finding Detail: During the testing of the School District’s ad valorem taxes and homestead exemption reimbursements, the auditor noted the District received more ad valorem taxes and homestead exemption reimbursements than the amount allowed by *Section 37-57-107, Mississippi Code Annotated (1972)*. The excess was the result of the District not properly advertising the tax increase in the local newspaper, and receiving more tax revenue from the County than the District’s base amount.

Due to the calculation indicating a violation of *Section 37-57-107, Mississippi Code Annotated (1972)*, the excess collected during the 2019-2020 year totaling **\$247,621** should be restricted for one year. Additionally, failure to accurately advertise the ad valorem tax increase as adopted by the School Board, results in taxpayers being misled and could lead to a loss of public trust and transparency.

Recommendation: We recommend the Senatobia Municipal School District ensure compliance over ad valorem revenue by ensuring policies and procedures align with *Mississippi Code Sections 37-57-107, 27-39-207(2)(a), and 27-39-207(2)(b)*. Also, the School District should escrow the excess noted, totaling **\$247,621**.

District’s Response: We sent to the local paper on how to publish the “Notice of Proposed Ad Valorem Tax Effort.” The paper was instructed to publish the shaded area below the ¼ page as an addition, not as part of the ¼ inch solid black boarder; however, we agree that the paper did not publish as instructed. I should have caught that and had the paper correct it. I will make sure that the title of the notice is stated according to state law and that the paper prints the ad correctly in the future. The School District disagrees that because of a misword in the ad that OSA state we received more ad valorem taxes that the law allows. The School District also agrees to restrict the “excess collected” for one year in the calculation for the 2021-2022 School year, since the reduction will not harm the School District because the School District is already at the 55 millage rate cap.

Auditor’s Note: As noted within the state law above, the wording of the Notice of Proposed Ad Valorem Tax Effort is very specific. In order for the District to receive the increase in taxes, the advertisement should be written as required by law. Also, the District is responsible for ensuring the advertisement is properly and correctly written and formatted. If the local newspaper improperly runs the “Notice of Proposed Ad Valorem,” at no fault of the District, the District must ensure the newspaper re-run this advertisement immediately.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Laws over Purchasing and Payment of Invoices.

Applicable Laws: *Section 31-5-51 Mississippi Code Annotated (1972)*, requires if a bid is accepted for construction for an amount that exceeds \$25,000, the District should ensure it has a performance bond payable and a license.

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 ... These details shall be submitted with the written bids and become part of the bid evaluation criteria. Bids may be submitted by facsimile, electronic mail or other generally accepted method of information distribution. Bids submitted by electronic transmission shall not require the signature of the vendor’s representative unless required by agencies or governing authorities.”

Section 31-7-13 (d), Mississippi Code Annotated (1972), states, “Purchases may be made from the lowest and best bidder. In determining the lowest and best bid, freight and shipping charges shall be included. Life-cycle costing, total cost bids, warranties, guaranteed buy-back provisions and other relevant provisions may be included in the best bid calculation. All best bid procedures for state agencies must be in compliance with regulations established by the Department of Finance and Administration. If any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid. No agency or governing authority shall accept a bid based on items not included in the specifications.”

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 31-7-305(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.”

School Board Policy, Section D, Policy DJE Purchasing and the Accounting Manual of Mississippi Public Schools, requires the District to utilize within its purchase system requisitions, purchase orders, and receiving reports, which should be logged and maintained in its business office.

Finding Detail: During the testing of the School District’s purchasing expenditures, the auditor noted the following exceptions out of the 25 items tested:

- One vendor was hired for a construction project in excess of \$25,000; however, the District did not have on file a performance bond or license;
- One purchase expenditure did not have two bids or quotes, totaling \$5,500 ;
- One purchase utilized an “online quote” as a second bid or quotes;
- Two purchases totaling \$30,584 were for the highest bid; however, the Board explanation of the choosing the other than lowest purchases were not spread upon its minutes, ;
- Seven purchase orders for cameras, basketball equipment and volleyball equipment were split, totaling \$16,432;
- One invoice paid was higher than the purchase order amount;
- One invoice paid was more than 45 days late; and
- Fifteen purchases did not have purchase requisitions, totaling \$396,332.

Failure to adhere to state laws and regulations and Board’s policy resulted in the noncompliance of purchases and payment of invoices.

Recommendation: We recommend the Senatobia Municipal School District ensure compliance over purchasing by strengthening policies and procedures to comply with the state purchasing laws. Also, the School District should ensure payments of invoices are paid within 45 days of being received.

District’s Response: The School District will implement procedures and training of staff to eliminate the risk of these exceptions occurring in the future.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Laws over Certified Employees’ Salaries and Obtaining Background Checks.

Applicable State Laws: *Section 37-9-33, Mississippi Code Annotated (1972) and Board Policy CGA, Administrative Personnel Compensation Guides and Contracts*, states, “In employing and contracting with appointed superintendents, principals, and certified employees, the school board shall in all cases determine whether the amount of salary to be paid such superintendent, principal, and certified employees is in compliance with the provisions of the adequate education program. No contracts shall be entered into where the salary of a superintendent, principal, or certified employee is to be paid, in whole or in part, from adequate education program funds except were the reimbursements of said chapter as to the amount of salary are fully met... The allowance in the Mississippi Adequate Education Program for teachers’ salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers’ salaries as provided in this subsection.”

Section 37-9-17, Mississippi Code Annotated (1972), states “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 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. Additionally, employees employed under the recommendation of a personnel supervisor may not be paid compensation in excess of their approved contract without Board approval.

Finding Detail: During the testing of the School District’s certified employees, the auditor noted the following exceptions out of the 20 items tested:

- Two employees' background checks were not included in the personnel file;
- One certified employee's salary did not agree to the approved salary scale, totaling **\$1,650**. Also, this increase in salary was not approved by the Board or spread upon its minutes; and
- One certified employee's contract was not Board approved, did not list a title, or purpose of paid supplement.

Failure to ensure that prospective hires are fingerprinted and have a background check performed with the results filed in the employee file could cause the employment contract to be voidable. Failure to strengthen internal controls could result in improper payments to employees, and incorrect reporting to Mississippi Student Information System.

Recommendation: We recommend the Senatobia Municipal School District strengthen controls to ensure criminal background checks and MDE certifications are obtained and maintained in personnel files of its employees, as required by law. Also, the School District should ensure salary increases are approved by the School Board.

District's Response: These two employees have been called in to complete the fingerprinting process and the results have been placed in their personnel files. All supplements and raises will be spread on the Board Minutes and contracts will reflect multiple positions if necessary.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Laws over Statements of Economic Interest.

Applicable State Laws: *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 the 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 is not properly filed."

Finding Detail: During the review of the School District's Statements of Economic Interest, the auditor noted two Board members failed to file a Statement of Economic Interest with the Mississippi Ethics Commission by May 1st.

Failure to file the statement of Economic Interest, as required by state law, results 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 Senatobia Municipal School District ensure Board members file a Statement of Economic Interest annually, no later than May 1st of each year that such official holds office, as required by law.

District's Response: The School District will add the Statement of Economic Interest to the Board agenda to give the Board Members the opportunity to complete this in a timely manner.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law 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."

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 Form 4Bs, the auditor noted the following exceptions:

- One retiree was paid more than the allowed salary by PERS, totaling **\$632**; and
- All 15 PERS Form 4Bs did not have evidence of being filed within five days of rehire.

Failure to file and complete the Form 4B, 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 Senatobia Municipal School District ensure compliance with state law and PERS by properly paying employees, completing, and filing Form 4Bs within five days of rehire.

District's Response: Procedures will be put into place to ensure that the Form 4Bs are submitted within five days of employment and proof of faxing to PERS is maintained.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Laws over Surety Bonds.

Applicable State Laws: *Section 25-1-15(4), Mississippi Code Annotated (1972)*, states, “A new bond in an amount not less than that required by law for public employees shall be secured at the beginning of each new term of office of the public or appointed official by whom they are employed, if applicable, or at least every four (4) years concurrent with the normal election cycle of the Governor.”

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 37-39-21, Mississippi Code Annotated (1972), states, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety.”

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.”

Finding Detail: During the review of the School District’s surety bonds, the auditor noted the following exceptions:

- The Superintendent was covered by a Continuation Certificate; and
- The bond for the position of Business Manager/Purchase Agent was only for \$50,000; instead of \$100,000 for both positions.

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 Senatobia Municipal 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.

District’s Response: Bonds will be secured as state above with ending dates rather than Continuation bonds or ongoing stated on bond.

Repeat Finding: No.

OTHER RECOMMENDATIONS:

OSA recommends that School Board consider obtaining surety bonds for Principals and Purchasing Agent. As noted in during our test work, two Principals and one Purchasing Agent 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



SENATOBIA MUNICIPAL SCHOOL DISTRICT

104 McKie Street

Senatobia, MS 38668

Chris D. Fleming

Superintendent of Education

April Scott, Ed. D.

Assistant Superintendent

2020 COMPLIANCE REVIEW FINDINGS

February 16, 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 Senatobia Municipal School District has received the report of findings from the Limited Internal Control and Compliance Review Management Report for fiscal year 2020. The following are our responses and corrective action plans.

AUDIT FINDINGS:

Finding 1: The School District Should Strengthen Internal Controls over Bank Reconciliations

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The District will ensure that the assets of the District are safeguarded and transactions are properly documented in the District's financial records by strengthening policies and procedures to ensure all transactions are properly recorded in the general ledger and all variances from book balances are accounted for in a timely manner. EOY bank reconciliations will be completed after all EOY journal entries are accounted for so that the reconciliation at end of fiscal year will align with the general ledger's cash balance.
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.
- C. This corrective action has been implemented.
- D. Not applicable.

Finding 2: The School District Should Strengthen Internal Controls over Budget Approvals.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. Budgets will be thoroughly reviewed prior to presentation to the Board for approval to ensure that all budget amendments have been added to the revenue and expenditure chart of accounts to prevent projected negative fund balances from being presented to the school board, as required by state law.
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.
- C. This corrective action has been implemented.
- D. Not applicable

Finding 3: The School District Should Strengthen Internal Controls over Activity Funds' Cash Receipts and Deposits.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The School District will strengthen controls over policies and procedures to ensure receipts from all activity funds will be safeguarded, recognized, and recorded. A new school event form and transmittal form has been developed for our centralized activity funds to use to comply with the proper receipting documentation.
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.
- C. This corrective action has been implemented.
- D. Not applicable.

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws over District - Owned Residential Home.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The School District will ensure all residential homes have leases for no less than the fair market value. The School Board will approve all lease agreements and spread the approval upon its minutes. A rental appraisal was secured on the school owned residence and a lease

agreement was established with the renter. The approval of the lease agreement was spread upon the minutes of the school board dated May 5, 2021.

- B. Kathy Roberson, Business Officer, is responsible for this corrective action.
- C. This corrective action has been implemented.
- D. Not applicable.

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws over Travel Reimbursements.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The School District will strengthen controls and ensure compliance by strengthening policies and procedures surrounding reimbursements for professional travel expenses. Procedures will be implemented to ensure that the purpose and approval of travel will be documented with purchase order for travel reimbursement. In addition, agenda and nametag, if possible, will be attached to travel reimbursements. Professional leave forms will be dated at time of approval.
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.
- C. This corrective action has been implemented.
- D. Not applicable.

Finding 6: The School District Should Ensure Compliance with State Law over the Tax Request Publication and Ad Valorem Escrow.

Response: The School District concurs with this finding.

Corrective Action Plan:

- A. The School District will ensure compliance over ad valorem revenue by ensuring policies and procedures align with Mississippi Code Sections 37-57-107, 27-39- 207(2)(a), and 27-39- 207(2)(b). In addition, the School District has escrowed the excess noted, totaling \$247,621. The word "proposed" will be added to the title of the ad valorem notice to the paper as required by law and the school district will ensure that the advertisement is properly and correctly written and formatted when printed in the local newspaper. If the local newspaper improperly runs the "Notice of Proposed Ad Valorem," at no fault of the District, the District will ensure the newspaper re-run this advertisement immediately.
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.

- C. This corrective action will be implemented with the next ad valorem proposed tax notice.
- D. Not applicable.

Finding 7: The School District Should Ensure Compliance with State Laws over Purchasing and Payment of Invoices.

Response: The School District concurs with this finding.

Corrective Action Plan:

- A. The School District will ensure compliance over purchasing by strengthening policies and procedures to comply with the state purchasing laws. In addition, the School District will ensure payments of invoices be paid within 45 days of being received.
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.
- C. This corrective action has been implemented.
- D. Not applicable.

Finding 8: The School District Should Ensure Compliance with State Laws over Certified Employees' Salaries and Obtaining Background Checks

Response: The School District concurs with this finding.

Corrective Action Plan:

- A. The School District will strengthen controls to ensure criminal background checks and MDE certifications be obtained and maintained in personnel files of its employees, as required by law. In addition, the School District will ensure salary increases be approved by the School Board.
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.
- C. This corrective action has been implemented.
- D. Not applicable.

Finding 9: The School District Should Ensure Compliance with State Laws over Statements of Economic Interest.

Response: The School District concurs with this finding.

Corrective Action Plan:

- A. The School District will ensure Board members file a Statement of Economic Interest annually, no later than May 1st of each year that such official holds office, as required by law.
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.
- C. This corrective action has been implemented by adding requirement to annual board calendar.
- D. Not applicable.

Finding 10: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Response: The School District concurs with this finding.

Corrective Action Plan:

- A. The School District will ensure compliance with state law and PERS by properly paying employees, completing, and filing Form 4Bs within five days of rehire.
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.
- C. This corrective action has been implemented.
- D. Not applicable.

Finding 11: The School District Should Ensure Compliance with State Laws over Surety Bonds.

Response: The School District concurs with this finding.

Corrective Action Plan:

- A. The School District will 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.
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.

- C. This corrective action has been implemented.
- D. Not applicable.

Other Recommendations - OSA recommends that School Board consider obtaining surety bonds for Principals and Purchasing Agent with specific term of employment instead of continuation certificates.

Response: The School District concurs with this recommendation.

Corrective Action Plan:

- A. The School District has received new surety bonds that reflect the specific term of employment dates instead of "Continuation Certificates".
- B. Kathy Roberson, Business Officer, is responsible for this corrective action.
- C. This corrective action has been implemented.
- D. Not applicable.

Please do not hesitate to contact me if you have questions or need any additional information.

Respectfully,

Chris Fleming
Superintendent

A handwritten signature in black ink, appearing to read "Chris Fleming", with a large, stylized loop at the end.