

TATE COUNTY 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

February 8, 2022

Limited Internal Control and Compliance Review Management Report

Tate County School District
574 Parkway Street
Coldwater, Mississippi 38618

Members of the Tate County School Board:

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

1. Strengthen Internal Controls over Activity Funds Cash Receipts and Deposits;
2. Strengthen Internal Controls and Ensure Compliance with State Laws over Travel Expense Reimbursements;
3. Ensure Compliance with State Laws over Purchasing;
4. Ensure Compliance with State Laws over Board Members' Approval of Relatives Within the Third Degree;
5. Ensure Compliance with State Laws over Ethics and Nepotism Related to the Supervision of Relatives;
6. Ensure Compliance with State Laws over Reemployment of Retired Public Employees; and
7. Ensure Compliance with State Laws over Publishing the Budget Synopsis.

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.

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.

Tate County School District
February 25, 2022
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I hope you find our recommendations enable Tate County School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive, flowing style.

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 Tate County School District for the year ended June 30, 2020.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with *Section 7-7-211, 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*. We also noted certain deficiency that is noted under the heading **OTHER 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.

INTERNAL CONTROL 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 Tread-way 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.

According to the *Mississippi Public School Accounting Manual*, states, "Monies collected by the principal's office for extracurricular activities much be receipted using a three-part receipt." Additionally, the principal should deliver a transmittal report of all activity fund transactions five working days after the close of the month.

Finding Detail: During the review of the School District's activity fund cash receipts and deposits, the auditor noted the following exceptions, out of 51 tested:

- All game-day forms did not have evidence of the "Change/Startup Cash" and "Tickets Delivered To" being completed;
- Five game deposits were between three and 12 business days after monies were receipted;
- Three-part receipts were not being utilized to record collections for 21 athletic events;

- There was a net overage of \$19 between deposits and ticket sales for varsity football and basketball games; and
- There were no transmittals submitted to the Central Office monthly.

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 Tate County School District strengthen controls over activity funds by enforcing policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: Procedures will be implemented to ensure the required transmittal sheet is completed. Additional training will be conducted to reemphasize timely deposits and attaching receipts to documentation.

Repeat Finding: No.

OTHER DEFICIENCIES AND NONCOMPLIANCE WITH STATE LAW

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

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

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 review of School District's travel reimbursements, the auditor noted the following exceptions out of the 15 items tested:

- One employee was reimbursed mileage; however, the District's vehicle was available for use; and
- Five travel vouchers did not have corroborating evidence attached.

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

Recommendation: We recommend the Tate County School District strengthen controls and ensure compliance over policies and procedures surrounding reimbursements for professional travel expenses.

District's Response: One employee is not allowed to drive district vehicles. He is allowed to claim mileage reimbursement when he travels out-of-district for conferences. The District will ensure documents indicate no district vehicle is available. The District will ensure required corroborating evidence is attached to claim documents.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 3: The School District Should Ensure Compliance with State Law 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. Any state agency or community/junior college purchasing commodities or procuring construction pursuant to this paragraph (b) may authorize its purchasing agent, or his designee, to accept the lowest competitive written bid under Fifty Thousand Dollars (\$50,000.00). Any governing authority purchasing commodities pursuant to this paragraph (b) may authorize its purchasing agent, or his designee, with regard to governing authorities other than counties, or its purchase clerk, or his designee, with regard to counties, to accept the lowest and best competitive written bid. Such authorization shall be made in writing by the governing authority and shall be maintained on file in the primary office of the agency and recorded in the official minutes of the governing authority, as appropriate. The purchasing agent or the purchase clerk, or their designee, as the case may be, and not the governing authority, shall be liable for any penalties and/or damages as may be imposed by law for any act or omission of the purchasing agent or purchase clerk, or their designee, constituting a violation of law in accepting any bid without approval by the governing authority. The term “competitive written bid” shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor’s letterhead or identifiable bid form and signed by authorized personnel representing the vendor. “Competitive” shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids. Any bid item for construction in excess of Five Thousand Dollars (\$5,000.00) shall be broken down by components to provide detail of component description and pricing. 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.”

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 bid for a construction project was not broken down by components and pricing;
- One purchase did not have justification noted in the Board minutes for the acceptance of the highest bid; and
- Three purchase orders from Memphis Ice Maker Company totaling **\$5,710** were split to circumvent state purchase laws. The purchase requisitions, purchase orders, and invoices were dated for the same day.

Failure to adhere to state purchase laws resulted in the School District not being in compliance with aforementioned section codes.

Recommendation: We recommend the Tate County School District ensure compliance with *Sections 31-7-13(b), 31-7-13(d), and 31-7-13(o), Mississippi Code Annotated (1972)*, by properly breaking down the components and pricing of construction project bids in excess of **\$5,000**, recording justification of bids other than the lowest in the Board minutes, and obtaining at least two competitive bids for purchases over **\$5,000** but not over **\$50,000**, as required by state law.

District's Response: The District will ensure all quotes or bids accepted, that are not the lowest, are approved by the Board. The District purchased ice makers from Memphis Ice Maker Company to fit the ice bins owed by the District. The ice maker in the amount of **\$3,125** was for the 30-inch bin at Strayhorn. The ice maker in the amount of **\$2,585** was for the 22-inch bin at Independence. The District will ensure all quotes or bids are broken down by components and pricing.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Laws over Board Members' Approval of Relatives Within the Third Degree.

Applicable State Laws: *Section 37-9-21, Mississippi Code Annotated (1972)*, states, "It shall be illegal for any superintendent, principal or other licensed employee to be elected by the school board if such superintendent, principal or licensed employee is related within the third degree by blood or marriage according to the common law to a majority of the member of the school board. No member of the school board shall vote for any person as a superintendent, principal or licensed employee who is related to within the third degree by blood or marriage or who is dependent upon him in a financial way. Any contract entered into in violation of the provisions of this section shall be null and void." *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."

Mississippi Ethics Opinion 14-051-E, requires "...Section 25-4-105(1), Miss. Code of 1972, prohibits a school board member from using his or her official position to obtain or attempt to obtain a pecuniary benefit for his or her relatives. The term relative is defined in Section 25-4-103(q) and includes the board member's child. Therefore, the school board member, if elected cannot participate in any matter which would create a monetary benefit for his or her child. Examples of actions in which board member should not participate include, but are not limited to, the selection or promotion of a relative or adjustments to his or her salary, benefits or other compensation and any other action which is a necessary predicate to the relative's compensation, and any claims

docket or budget from which the relative is paid, including approval of the annual school district budget. A total and complete recusal requires the board member leave the meeting room before the matter comes up for discussion and remain absent until the vote is concluded... Furthermore, any minutes or record of the meeting or other proceeding should state the recusing board member left the room before the matter came before the board and did not return until after the vote...”

Finding Detail: During the review of the School District’s related party questionnaires and Board minutes, the auditor noted two School Board members did not recuse themselves in the appointment of two relatives within the third degree.

Failure of the two Board Members from recusing themselves during the vote for relatives resulted in the violation of *Mississippi Ethics Opinion 14-051-E* and *Mississippi Code Section 37-9-21*.

Recommendation: We recommend the Tate County School District ensure compliance with *Mississippi Ethics Opinion 14-051-E* and *Mississippi Code Section 37-9-21*, by recusing themselves during the vote of relatives within the third degree.

District’s Response: The District will ensure in future years Board Members will recuse themselves when voting to approved the reappointment of their relatives within the third degree.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Laws over Ethics and Nepotism Related to the Supervision of Relatives.

Applicable State Law: *Mississippi Ethics Opinion 10-067-E*, states, “Pursuant to *Section 25-4-105(1)*, *Mississippi Code of 1972*, no school district employee or official may use his or her position or attempt to obtain any monetary benefit for his or her “relative,” as that term is defined in *Section 25-4-103(q)*, quoted above. The food services director’s husband is her relative. Therefore, the food services director may not hire or supervise her husband.

Finding Details: During the review of the School District’s related party questionnaires, the auditor noted the Director of Operations and Transportation supervises his parent and spouse.

Failure to ensure the Director of Operations and Transportation did not supervise relatives within the third degree resulted in the violation of *Mississippi Ethics Opinion 10-067-E* and *Mississippi Code Section 25-4-105(1)*.

Recommendation: We recommend the Tate County School District ensure compliance with *Mississippi Ethics Opinion 10-067-E* and *Mississippi Code Section 25-4-105(1)* by ensuring District employee’s do not supervise their relatives.

District’s Response: Tate County School District struggles annually to find bus drivers and monitors to fill required routes. All bus drivers and monitors are paid a set number per route; therefore, not one driver or monitor can benefit monetarily more than another. The Director of Operations and Transportations’ mother is a monitor on a SPED route. FY 2020 and FY 2021 school years she was recommended for hire by the SPED Director due to her salary being paid from the SPED budget.

Auditor's Note: According to the District's organizational chart and inquiry of the Business Manager, the Director of Operations and Transportation's mother is under the direct supervision of her son, which violates quoted laws and regulations. Being paid out of the SPED budget does not nullify state regulations.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Laws and Strengthen Controls 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:

- Four PERS Form 4Bs were not filed within five days of rehire; and
- One PERS Form 4B did not have evidence of the retirement date.

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 Tate County School District ensure compliance with *Section 25-11-127(4)* and PERS by properly paying employees, completing, and filing Form 4Bs within five days of rehire.

District's Response: The District will work diligently to ensure all Form 4Bs are filed timely and completely.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Laws over Publishing the Budget Synopsis.

Applicable State Law: *Section 37-61-9(3), Mississippi Code Annotated (1972)*, states, "Prior to the adoption of a budget pursuant to this section, the school board of each school district shall hold at least one (1) public hearing to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget. The public hearing shall be held at least one (1) week prior to the adoption of the budget with advance notice. After final adoption of the budget, a synopsis of such budget in a form prescribed by the State Department of Audit shall be published in a newspaper having general circulation in the school district on a date different from the date on which the county or any municipality therein may publish its budget."

Finding Detail: During the review of the School District's budgeting for fiscal year 2020, the auditor noted the District failed to publish a synopsis of the original budget.

Recommendation: We recommend the Tate County School District ensure compliance by publishing a synopsis of its original budget in accordance with State law.

District's Response: The District will publish the synopsis of the original budget annually

Repeat Finding: No.

End of Report

Together Achieving Team Excellence

COUNTY SCHOOL DISTRICT
COLDWATER • EAST TATE • INDEPENDENCE • STRAYHORN

Business office
574 Parkway Street
Coldwater, MS 38618
P (662)562-5861 F (662)622-7406
www.tatecountyschools.org

COMPLIANCE REVIEW FINDINGS

February 21, 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 Tate County School District has received the report of findings from the Limited Internal Control and Compliance Review for fiscal year 2020. Following, 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.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The District has implemented procedures to ensure the required transmittal sheet is submitted to the business office within five working days after the close of the month. Game-day forms have been updated and additional training has been conducted to reemphasize timely deposits and attaching receipts to documentation.
- B. Sandy Patton, Business Manager, is responsible for this corrective action.
- C. This corrective action has been completed.
- D. Not Applicable.

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

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The District has implemented procedures to ensure documents properly reflect when a district car is available and required corroborating evidence is attached to claim documents.
- B. Sandy Patton, Business Manager, is responsible for this corrective action.
- C. This corrective action has been completed.
- D. Not applicable.

Finding 3: The School District Should Ensure Compliance with State Law over Purchasing.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The District will ensure all construction project quotes or bids will be broken down by components and pricing. All quotes or bids accepted that are not the lowest will be approved by the Board. Two quotes will be obtained on all purchases when the total of items purchased exceeds \$5,000.00 so it will not appear state purchasing laws are being circumvented.
- B. Sandy Patton, Business Manager, is responsible for this corrective action.
- C. This corrective action has been completed.
- D. Not applicable.

Finding 4: The School District Should Ensure Compliance with State Laws over Board Members' Approval of Relatives within the Third Degree.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The District will ensure in future years Board Members will recuse themselves when voting to approve the appointment or reappointment of their relatives within the third degree.

- B. Sandy Patton, Business Manager, is responsible for this corrective action.
- C. This corrective action has been completed.
- D. Not applicable.

Finding 5: The School District Should Ensure Compliance with State Laws over Ethics and Nepotism Related to the Supervision of Relatives.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The District has implemented procedures to ensure compliance with state laws over ethics and nepotism related to the supervision of relatives. The Director of Operations and Transportation's parent is a monitor for Special Services. All Special Services monitors' time sheets will be approved by the Special Services Director. The Director of Operations and Transportation's spouse is a bus driver. The principal of the school where the spouse drives the bus route will approve the time sheet.
- B. Sandy Patton, Business Manager, is responsible for this corrective action.
- C. This corrective action has been completed.
- D. Not applicable.

Finding 6: The School District Should Ensure Compliance with State Laws and Strengthen Controls over Reemployment of Retired Public Employees.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The District will comply with *Section 25-11-127(4)* and PERS by completing and filing Form 4Bs within five (5) days.
- B. Melissa Wallace, Payroll Clerk, is responsible for this corrective action.
- C. This corrective action has been completed.
- D. Not applicable.

Finding 7: The School District Should Ensure Compliance with State Laws over Publishing the Budget Synopsis.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The District will ensure the synopsis of the original budget is published annually.
- B. Sandy Patton, Business Manager, is responsible for this corrective action.
- C. This corrective action has been completed.
- D. Not applicable.

Please feel free to contact me if you have any questions or need any additional information.

Respectfully,



Alee' Dixon
Superintendent