

**Tishomingo County Special Municipal Separate 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**  
Deputy State Auditor  
**Charlotte Duckworth**  
Director, *Compliance Audit Division*



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

**Shad White  
AUDITOR**

**Limited Internal Control and Compliance Review Management Report**

Tishomingo County Special Municipal Separate School Board  
1620 Paul Edmonson Drive  
Iuka, Mississippi 38852

Members of the Tishomingo County Special Municipal School Board:

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

1. Strengthen Internal Controls over Bank Reconciliations;
2. Strengthen Internal Controls over Activity Funds Cash Receipts and Deposits;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval.
4. Strengthen Internal Controls and Ensure Compliance with State Law over District – Owned Residential Homes;
5. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
6. Ensure Compliance with State Law over Nepotism and Ethics;
7. Ensure Compliance with State Law over Purchasing and Invoice Payments;
8. Ensure Compliance with State Law over Budgeted Expenditures;
9. Ensure Compliance with State Law over Unemployment Compensation Fund;
10. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
11. Ensure Compliance with State Law over Surety Bonds.

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 Tishomingo County Special Municipal Separate School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Tishomingo County Special Municipal Separate School District  
September 20, 2022  
Page **4** of **16**

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive style and is contained within a rectangular box.

STEPHANIE C. PALMERTREE, CPA, CGMA  
Deputy State Auditor  
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Tishomingo County Special Municipal Separate 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 deficiency. These matters are noted under the heading **SIGNIFICANT DEFICIENCY**. We also noted certain deficiencies in controls that we noted under the heading **OTHER 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.

We have identified surety bonds during audit procedures that are not noncompliant but are recommended to be considered for review. These recommendations are noted under the heading **OTHER RECOMMENDATIONS MADE BY THE OFFICE OF THE STATE AUDITOR**

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## **MATERIAL WEAKNESSES**

**Finding 1:** The School District Should Strengthen 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 of internal controls is reconciling the bank accounts by adding outstanding deposits and subtracting 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 Payroll Clearing Fund bank account was not properly reconciled to the District's general ledger's cash balance, totaling **\$1,571,314**.

Failure to record all transactions in the general ledger and properly reconcile bank statements could result in errors, misstatement of District's financial statements, or fraud occurring without being detected in a timely manner. Additionally, failure to reconcile bank statements increase the risk of the Board approving expenditures in excess of the funds available.

**Recommendation:** We recommend the Tishomingo County Special Municipal Separate School District strengthen controls over policies and procedures to ensure all bank accounts are reconciled timely and properly to the District's general ledger. We recommend management reconcile bank accounts monthly by each fund to the general ledger in order to effectively and timely account for a variance from the District's book balances.

**District's Response:** The general ledger cash balance at 6/30/20 of **\$1,571,314** is the accrued payroll that is paid to the school year employees at the end of July 2020. This is the school year employees' last amount for the FY20 fiscal year. School year employees are paid August to July of each year for the current year fiscal wages since school doesn't begin until August. We have added a reconciliation from to our year-end instruction to reconcile the payroll clearing bank statement to the general ledger's cash balance.

**Repeat Finding:** No.

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## SIGNIFICANT DEFICIENCY

**Finding 2:** The School District Should Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits.

**Internal Control Deficiency:** The *Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets 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, the auditor noted the following exceptions:

- All 49 gate receipt forms tested did not have beginning or ending ticket numbers listed;
- Forty ticket forms were missing the ticket sellers' signatures;
- Twenty – two event forms were not properly completed;
- Seven ticket forms were missing the verifiers' signatures;
- Fourteen ticket forms were missing the actual signature of the Principal;
- Fifteen receipts could not be traced to transmittal forms due to them not being submitted to Central Office;
- There was a net shortage of **\$500** between deposits and ticket sales;
- One deposit was made more than five days after being receipted; and
- Six ticket forms were not located by the District and nine forms were not properly signed.

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 Tishomingo County Special Municipal Separate School District strengthen controls to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

**District's Response:** We have already implemented a more detailed event form to be used across the District. This new form has all the checks in places. We have had meetings with principals and bookkeepers to ensure these forms are completed in full for each event. We will strengthen internal controls and procedures to ensure receipts from all athletic fund revenue collections are properly counted and recorded. We will ensure that all of Belmont's gate collections goes 100% to the Belmont athletic account going forward. We have already implemented the monthly transmittal report, where by principals' sign-off and send to the finance director each month end.

**Repeat Finding:** No.

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## **OTHER DEFICIENCIES AND NONCOMPLIANCE WITH STATE LAW**

**Finding 3:** The School District Should Strengthen Controls and Ensure Compliance with State Law over Budget Approval.

**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 State Law:** *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 School District's budgeting expenditures, the auditor noted the following exceptions:

- On June 11, 2018, the Board approved the original budget for fiscal year 2019, which included two funds that reflected a projected negative fund balance at year end
  - District Maintenance (1120) – **(\$413,299)**
  - 3 Mil Debt Service (4028) – **(\$20,417)**
- On October 7, 2019, the Board approved the amended budget for fiscal year 2019, which included 15 funds that reflected a negative fund balance at year end:
  - Tri-State Education Grant (1122) - **(\$9,425);**
  - DM Local Bldgs & Grounds (1124) – **(\$166,616);**

- Local Technology (1125) - **(\$53,046)**;
  - Tishomingo Elementary (1153) - **(\$821)**;
  - TCHS Athletic (1166) - **(\$57,995)**;
  - Title I - Part 1 (2211) - **(\$205,849)**;
  - Title IV – Rural (2311) - **(\$75,622)**;
  - Title II - Part A (2511) - **(\$15,379)**;
  - IDEA - Part B (2610) - **(\$107,593)**;
  - Preschool (2620) - **(\$11,103)**;
  - Belmont Clubs (7321) - **(\$2,752)**;
  - Burnsville Clubs (7322) - **(\$6,727)**;
  - Tishomingo Elementary Clubs (7323) - **(\$5,187)**;
  - Tishomingo County High School (7325) - **(\$33,854)**;
  - Vocational Center Clubs (7326) - **(\$12,057)**
- On July 30, 2019, the Board approved the original budget for fiscal year 2020 which included three funds that reflected a negative fund balance at year end:
    - District Maintenance (1120) – **(\$270,230)**
    - School Food Service (2110) – **(\$48,748)**
    - 3 Mil Debt Service (4028) – **(11,701)**

Failure for the District to ensure there are available resources for all expenditures could result in deficit fund balances. Additionally, the approval a budget with negative fund balances could result in actual fund balances being negative. However, in this case, the actual fund balances at June 30, 2021 were not negative.

**Recommendation:** We recommend the Tishomingo County Special Municipal Separate School District strengthen controls over budgeting practices that will prevent projected negative fund balances from being presented to the School Board and to ensure compliance with state law.

**District's Response:** We have made the correction in our budgeting instructions to ensure that we always enter the current beginning fund balance for each fund, so that the original budget report does not have a negative fund balance. We have already made this correction on the fiscal year 2021 original budget report.

**Repeat Finding:** No.

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**Finding 4:** The School District Should Ensure Compliance with State Law over District – Owned Residential Homes.

**Applicable State Law:** *Article 4, Section 66, Mississippi Constitution* states, “No law granting a donation or gratuity in favor of any person or object shall be enacted exacted by the concurrence of two-thirds of the members elect of each branch of the Legislature, nor by any vote for a sectarian purpose or use.”

*Article 4, Section 96 of the Mississippi Constitution* provides the Legislature shall never grant extra compensations, fee, or allowance, to any public officer, agent, servant, or contractor, after service rendered or contract made, nor authorize payment, or part payment, of any claim under any contract not authorized by law; *Mississippi Attorney General's Opinion 1979 WL 41450*, states, “This 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's 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 four residential homes owned by the School District, the auditor noted the following exceptions:

- Two lease agreements were signed by the Superintendent and the two employees/tenants; however, the agreements were not approved by the Board and spread upon the minutes;
- There was no evidence of one lease agreement with an employee/tenant on file within the District; and
- The School District did not have evidence of an appraisal of four residential homes being rented to its employees; therefore, the auditors were not able to determine if the homes were being rented below 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 noncompliance with state laws and regulations.

**Recommendation:** We recommend the Tishomingo County Special Municipal Separate School District strengthen controls over all lease agreements to ensure compliance with state law by ensuring 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:** We will obtain the assessed values on each of the four houses and secure a rental agreement for fair value rent and utilities.

**Repeat Finding:** No.

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**Finding 5:** The School District Should Strengthen Controls and Ensure Compliance with State Law 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.

*School District Policy, Section D, Fiscal Management, DJDAA – Travel Reimbursements*, states, “A receipt for each meal must be attached to the travel reimbursement request in order to be eligible for reimbursement.... Mileage will be reimbursed at the current reimbursement rate as established by the Department of Finance and Administration Office of Purchasing and Travel...In Order to travel to a school related function, personnel must fill out the proper forms. Personnel must first submit the Request for approval Form to the Principal of the school in which they are employed. The Principal will then submit the Request for Approval to the Superintendent. This form must be submitted two (2) weeks prior to the travel date. Upon returning from school related travel, personnel must submit the Travel Expense Form to the Business Manager at the Central Office Building.”

**Applicable State Law:** *Section 25-3-41(1), Mississippi Code Annotated (1972)*, states, “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 auditor noted the following exceptions:

- Two meal reimbursements included the meals of a spouse, totaling \$48;
- One mileage reimbursement was in excess of the actual miles traveled, totaling 144 miles;
- Nine travel vouchers did not include conference agendas;
- Three travel requests were not approved prior to employees’ travel; and
- Two travel reimbursements did not utilize the correct mileage rate.

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

**Recommendation:** We recommend the Tishomingo County Special Municipal Separate School District strengthen controls over policies and procedures surrounding reimbursements for professional travel expenses to ensure compliance with state law.

**District’s Response:** We will strengthen our internal controls to ensure that all travel reimbursements are done accurately and submitted on a timely basis. Management and the accounts payable clerk will look more closely at all receipts going forward. We will instruct everyone to submit copies of agendas also.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 6:** The School District Should Ensure Compliance with State Law over Nepotism and Ethics.

**Applicable State Law:** *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 hi 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.”

*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 cam before the board and did not return until after the vote...”

**Finding Detail:** During the review of the School District’s Board minutes, the auditor noted that two Board members failed to recuse themselves from voting over matters concerning family members within the third degree.

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

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

**District’s Response:** The two Board members did not recuse themselves from voting due to the family members not being a licensed employee, principal, or superintendent. In the future however, Board Members will recuse themselves from voting on all future items during the vote of a relative within the third degree.

**Repeat Finding:** No.

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**Finding 7:** The School District Should Ensure Compliance with State Law over Purchasing and Invoice Payments.

**Applicable State Law:** *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(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.”

**Finding Detail:** During the testing of the School District’s purchasing expenditures, the auditor noted the following exceptions:

- Four invoices appeared to be split to circumvent purchasing laws, totaling **\$14,513**;
  - Two invoices for Burnsville Discount Carpet were dated for July 23, 2019 and both purchase orders were dated for July 22, 2019; and
  - Two invoices for Lann Chemical were dated for July 17, 2019 and both purchase orders were dated for July 16, 2019.
- There was a purchase **\$11,875** higher than the lowest bid; however, there was no reference in the Board minutes of Board approval as to why the Board did not select the lowest and best bid; and
- Two invoices were paid 67 to 97 days later.

Failure to obtain at least two competitive bids, document Board approval for purchases other than lowest bid, and to pay invoices within 45 days of receipt resulted in the violation of state laws and regulations.

**Recommendation:** We recommend the Tishomingo County Special Municipal Separate School District ensure compliance by ensuring bids are obtained for purchases over **\$5,000** but not over **\$50,000**, document in the Board minutes approved bids other than the lowest bid, and invoices are not split to circumvent the state purchasing law in *Sections 31-7-13(b), 31-7-13(d)* and *31-7-13(o)*. Also, the School District ensure compliance with *Section 31-7-305(2)*, by paying all invoice within 45 days of being received.

**District’s Response:** We will strengthen internal controls to ensure that the District complies with *Section 31-7-13(b) Mississippi Code Annotated (1972)*. However, the two (2) invoices in question to vendor, Burnsville Discount Carpet, was for two (2) different schools (Iuka Elementary Office and Burnsville Band Hall). We will

ensure in instances where a bid other than the lowest bid purchase is made, that the documentation is recorded in the Board minutes and not just in the accounts payable file. We will strengthen internal controls to ensure that bookkeepers submit pay orders to accounts payable clerk on a timely basis to avoid invoices being paid later than 45 days. We have also instructed all schools to make sure to make notes documenting when invoices are received prior to goods/services.

**Repeat Finding:** No.

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**Finding 8:** The School District Should Ensure Compliance with State Law over Budgeted Expenditures.

**Applicable State Law:** *Section 37-61-19, Mississippi Code Annotated (1972)*, states, “It shall be the duty of the superintendents of school and the school board 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 from a fund in excess of the resources available within that fund.”

**Finding Detail:** During the review of the School District’s amended budget for fiscal year 2019, the auditor noted the following exceptions:

- Four funds’ actual expenditures exceeded the budgeted expenditures in the combined amount of **\$223,157:**
  - Fund 1153 (Tishomingo Elementary),
  - Fund 2020 (School Recognition),
  - Fund 2090 (Extended School Year), and
  - Fund 2290 (Consolidated Administrative Company)
- Three funds had expenditures but were not budgeted:
  - Fund 2020 (School Recognition),
  - Fund 2090 (Extended School Year), and
  - Fund 2290 (Consolidated Administrative Company).

Failure to ensure there are resources for all expenditures could result in deficit fund balances and resulted in the violation of state law.

**Recommendation:** We recommend the Tishomingo County Special Municipal Separate School District ensure compliance with *Section 37-61-19* by ensuring all funds have available resources before expenditures are approved by the School Board.

**District’s Response:** We have made the correction in our budgeting instructions, so that we always budget expenditures for Funds 2020, 2090, 2290 going forward. We have already made make the correction with the Fiscal Year 2020 Amended Budget, which shows budgeted expenditures for Funds 2020, 2090, 2290. The Fiscal Year 2020 Amended Budget also reflects Fund 1153 budgeted match the Fiscal Year 2020 actual expenditures.

**Repeat Finding:** No.

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**Finding 9:** The School District Should Ensure Compliance with State Law over the Unemployment Compensation Fund.

**Applicable State Law:** *Section 71-5-359(5), Mississippi Code Annotated (1972)*, states, "Each political subdivision, unless it elects to make contributions to the unemployment compensation fund as provided in subsection (9) of this section, shall establish a revolving fund and deposit an amount equal to two percent (2%) of the first Six Thousand Dollars (\$6,000.00) paid to each employee thereof during the next preceding year. However, the department shall by regulation establish a procedure to allow reimbursing political subdivisions to elect to maintain the balance in the revolving fund as required under this paragraph or to annually execute a surety bond to be approved by the department in an amount not less than two percent (2%) of the covered wages paid during the next preceding year."

**Finding Detail:** During the review of the School District's Unemployment Fund, the auditor noted that the District's Unemployment Compensation Fund's account balance was **\$4,248.29** less than the limitations required by *Section 71-5-.359(5)*.

Failure to maintain an adequate balance in the Unemployment Compensation Fund resulted in noncompliance with state law.

**Recommendation:** We recommend the Tishomingo County Special Municipal Separate School District ensure compliance by ensuring adequate monies are deposited in the Unemployment Compensation Fund, as required by state law.

**District's Response:** We have calculated the unemployment 2% balance based on fiscal year wages for Fiscal Year 2020. We have made the correction in our year-end instructions to use calendar year wages going forward. This will ensure that we comply with state law by maintaining the minimum amount 2% of the coverage wages paid during the next preceding year.

**Repeat Finding:** No.

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

**Applicable State Law:** *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 retirees were paid more than the allowed salary by PERS, totaling **\$3,883**;

- Twenty-three Form 4Bs were not filed within five days of rehire;
- One retiree was rehired prior to 90 days after retirement;
- One retiree's Form 4B was sent to PERS before their rehire date; and
- Two Form 4Bs did not have evidence of the District's representative signature.

Failure to file and complete the PERS 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 Tishomingo County Special Municipal Separate School District strengthen controls over rehiring retirees by ensuring rehires are properly paid per PERS, and that PERS Form 4Bs are properly completed, and filed within five days of rehire.

**District's Response:** We will strengthen internal controls by ensuring reemployed retirees are not paid more than the amount certified on Form 4B. Payroll will maintain a spreadsheet each year to be able to prevent a retiree from being paid more than the amount allowed by PERS. We have corrected the Retiree's hire date, which in error was completed with the wrong retirement year. We will ensure that all Form 4Bs are completed completely and correctly with all signature, and the forms are faxed to PERS within five days of reemployment.

**Repeat Finding:** No.

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

**Applicable State Law:** *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."

*Section 37-9-31, Mississippi Code Annotated (1972)*, states, "All school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000), with sufficient surety."

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

- Twenty-two school employees' bonds are for indefinite terms:
  - Superintendent;
  - Six Principals;
  - Eight Purchasing Agents; and
  - Seven School Resource Officers.

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 Tishomingo County Special Municipal Separate School District ensure compliance 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:** We will bond officials/employees for the term of the position, file with the Chancery Clerk's Office, and will no longer have continuation certificates or indefinite term certificates. New surety bonds will be issued going forward.

**Repeat Finding:** No.

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#### **OTHER RECOMMENDATION BY THE OFFICE OF THE STATE AUDITOR:**

The Office of the State Auditor recommends that the School Board consider obtaining new surety bonds for Principals and Purchasing Agents. As noted during our test work, the Principals and Purchasing Agents are covered by renewals or "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.

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**End of Report**



TISHOMINGO COUNTY SCHOOL DISTRICT  
*Christie Holly*  
SUPERINTENDENT OF EDUCATION

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COMPLIANCE REVIEW FINDINGS

September 19, 2022

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

Dear Mr. White:

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

AUDIT FINDINGS:

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

**Response:** The Tishomingo County School District concurs with the finding. The general ledger cash balance at 6/30/2020 of \$1,571,314 was the accrued payroll that was paid to the school year employees at the end of July 2020. This was the school year employees' last amount for the FY20 fiscal year. School year employees are paid August to July of each year for the current year fiscal wages since school doesn't begin until August.

**Corrective Action Plan:**

- A. Effective April 12, 2021, the District added a reconciliation form to the year-end instructions for reconciling the payroll clearing bank statement to the general ledger's cash balance.
- B. Finance Director and Assistant Finance Director will be responsible for this action plan.
- C. The corrective action plan has been completed.

**Finding 2:** The School District Should Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits.

**Response:** The Tishomingo County School District concurs with the finding.

**Corrective Action Plan:**

- A. Effective September 30, 2020, the District implemented a more detailed event form to be used across the District. This new form has all the authorizations in place. Meetings have been held with principals and bookkeepers to ensure these forms are completed in full for each event and all receipts are safeguarded and deposited timely.
- B. Finance Director, Principals, Bookkeepers, and any staff that work events will be responsible for this action plan.
- C. The corrective action plan has been completed.

**Finding 3:** The School District Should Strengthen Controls and Ensure Compliance with State Law over Budget Approval.

**Response:** The Tishomingo County School District concurs with the finding. In error, the beginning fund balance for each fund was not properly entered, which caused the budget report to reflect negative fund balances.

**Corrective Action Plan:**

- A. Beginning with the fiscal year 2021 original budget report, the District entered fund balances for each fund, so that the original budget report did not have a negative fund balance.
- B. Finance Director will check the ending balances of all funds to ensure that the budgets do not reflect negative fund balances.
- C. The corrective action plan has been completed.

**Finding 4:** The School District Should Ensure Compliance with State Law over District – Owned Residential Homes.

**Response:** The Tishomingo County School District concurs with the finding.

**Corrective Action Plan:**

- A. The District obtained assessed values on each of the four houses and secured a board approved annual rental agreement for fair value rent and utilities.
- B. Superintendent, School Board Members and Finance Director
- C. The corrective action plan has been completed.

**Finding 5:** The School District Should Strengthen Controls and Ensure Compliance with State Law over Travel Reimbursement.

**Response:** The Tishomingo County School District concurs with the finding.

**Corrective Action Plan:**

- A. The District has trained employees on how to properly fill out forms and reminded them to submit forms on a timely basis. The District administrators and staff will look more closely at all receipts and forms to ensure reimbursement is issued properly.
- B. Principals, Superintendent, Finance Director and Accounts Payable Clerk
- C. The corrective action plan has been completed.

**Finding 6:** The School District Should Ensure Compliance with State Law over Nepotism and Ethics.

**Response:** The Tishomingo County School District concurs with the finding.

**Corrective Action Plan:**

- A. The District will obtain a list of all relatives within the third degree from the Board members and will ensure that Board members recuse themselves from voting on the hiring of any relatives within the third degree.
- B. School Board Members, Superintendent, School Board Clerk, and Finance Director
- C. The corrective action plan will be completed with the next fiscal year staff hiring.

**Finding 7:** The School District Should Ensure Compliance with State Law over Purchasing and Invoice Payments.

**Response:** The Tishomingo County School District concurs with the finding.

**Corrective Action Plan:**

- A. The District met with Principals and Bookkeepers to train them on the purchasing law. It was stressed the importance of obtaining comparable quotes when necessary. Open purchase orders will be reviewed to ensure timely payments are made. Bookkeepers have been instructed to document when invoices are received prior to goods/services.
- B. Superintendent, Finance Director, Bookkeepers, and Accounts Payable Clerk
- C. The corrective action plan has been completed.

**Finding 8:** The School District Should Ensure Compliance with State Law over Budgeted Expenditures.

**Response:** The Tishomingo County School District concurs with the finding.

**Corrective Action Plan:**

- A. The District made correction in its budgeting instructions, so that it always budgets expenditures for funds going forward.
- B. Finance Director
- C. The corrective action plan has been completed.

**Finding 9:** The School District Should Ensure Compliance with State Law over the Unemployment Compensation Fund.

**Response:** The Tishomingo County School District concurs with the finding.

**Corrective Action Plan:**

- A. The District has restored the Unemployment Compensation fund balance to an acceptable level as per state law based on calendar year wages. This will be monitored and maintained annually.
- B. Finance Director
- C. The corrective action plan has been completed.

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

**Response:** The Tishomingo County School District concurs with the finding.

**Corrective Action Plan:**

- A. The District has implemented a process to ensure all Form 4B are properly completed and submitted to PERS via facsimile within 5 days of returning to work. The District will ensure all rehired retirees are properly paid per PERS.
- B. Finance Director and Assistant Finance Director
- C. The corrective action plan has been completed.



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

**Response:** The Tishomingo County School District concurs with the finding.

**Corrective Action Plan:**

- A. The District no longer has continuation/indefinite term surety bonds. Beginning July 1, 2021, all Principals and Purchasing Agents surety bonds were issued for one year (fiscal year), and will be issued accordingly each fiscal year. School Board Members and Superintendent surety bonds are issued based on his/her term.
- B. Finance Director
- C. The corrective action plan has been completed.

Sincerely,



Christie Holly  
Superintendent