



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 16, 2022

Limited Internal Control and Compliance Review Management Report

Tunica County School District
744 School Street
Tunica, Mississippi 38676

Members of the Tunica County School Board:

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

1. Strengthen Internal Controls over Activity Funds' Cash Receipts and Deposits;
2. Ensure Compliance with State Laws over Certified Employees' Salaries, Verified Years of Experience, and Maintaining Background Checks in Personnel Files;
3. Ensure Compliance with State Laws over Reemployment of Retired Public Employees;
4. Ensure Compliance with State Laws and Board Minutes; and
5. Ensure Compliance with State Laws 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 Tunica 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".

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

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with *Section 7-7-211, Mississippi Code Annotated (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

We noted certain instances of noncompliance with state laws that require the attention of management. These matter are noted under the headings **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**. The Auditor's Office has also made a recommendation of managements' consideration that it is not in violation of state law.

SIGNIFICANT DEFICIENCY

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

Internal Control Deficiency: *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the 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.

Finding Detail: During the testing of the School District's activity fund receipts and deposits, the auditor noted the following, out of 23 tested:

- Twenty-three ticket sales were not receipted due to revenue being deposited directly into the depository nightly. This resulted in the athletic revenue not being included within the monthly transmittals, totaling **\$46,571**;

- There was a net shortage of (\$199) between deposits and ticket sales for varsity basketball and football games; and
- There were two instances in which the same individual signed the count sheets as both the ticket seller and verifier; and
- There was one ticket sold that was not in sequential order as the cash count sheet; and

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 Tunica 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: Tunica County School District has developed procedures to ensure that it follows the uniform system of account and financial reporting for all school activity fund transactions. All monies generated from athletic games and other activities will be receipted to the district utilizing pre-numbered receipts (3 parts). Any documentation including transmittal sheets necessary to support receipts shall be maintained on file as required.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Ensure Compliance with State Laws over Certified Employees' Salaries, Verified Years of Experience, and Maintaining Background Checks in Personnel Files.

Applicable State Laws: *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.

Section 37-9-33, Mississippi Code Annotated (1972), 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 where 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."

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

- There was no evidence of the District obtaining a background check for three certified employees;
- One certified employee's salary did not agree to the appropriate salary scale; and
- Five certified employee's verified years of experience does not match the Mississippi Student Information System (MSIS) report.

Recommendation: We recommend the Tunica County School District ensure compliance by obtaining criminal background checks and maintain them in the personnel files of its employees, as required by state law. Also, the School District should ensure salaries paid agree to the appropriate salary scale and verified years of experience matches the MSIS report.

District's Response: Tunica County School District shall comply with all applicable provisions of *Mississippi Code of 1972, 37-9-17(2)* as it relates to criminal background checks. The District will ensure that criminal records and background checks are completed and placed in employees' personnel files as required. We will make sure employment contracts are verified, signed, and dated; and MSIS records match the actual step based upon experience in the employees' files.

Repeat Finding: No.

Finding 3: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Applicable State Laws: In accordance with *Section 25-11-127, Mississippi Code Annotated 1972*, the Board of Trustees of the Public Employees' Retirement System of Mississippi (PERS) has adopted the following rules and regulations governing the provisions for reemployment of PERS service retirees who are reemployed after service retirement under the above-cited Section on or after the effective dates of the applicable provisions of this regulation.

PERS Regulation 34, Section 107.2, states, "The employer of a PERS retiree reemployed in a position as an employee or as a contractual employee under the limited reemployment provisions of *Section 103.1.a* or *103.1.b*, shall pay to the board the full amount of the employer's contribution, as is in effect at the time of employment, on the amount of compensation received by the retiree for his or her employment under the applicable section."

Finding Detail: During the review of the School District's PERS Form 4Bs, the auditor noted the District failed to pay the employer contribution on a PERS retiree. During fiscal year 2020, the retiree was paid **\$9,109**; therefore, the District should have paid **17.4%** employer contributions on these wages, which equates to **\$1,585**.

Failure to properly contribute the employer contributions on the retirees' wages, resulted in noncompliance with PERS Regulations.

Recommendation: We recommend the Tunica County School District ensure compliance by paying employer contributions to PERS on all wages of its retirees.

District's Response: Tunica County School District has implemented new procedures regarding hiring PERS retirees to ensure that all PERS retirees are appropriately flagged in the Marathon software. For the one oversight that was found during the audit, the district has verified and its payroll records have been updated to indicate the employee as a PERS retiree with a reported wages code of post retirement earnings. These actions will ensure that the district shall pay to the PERS Board the full amount of the employer's contribution. The district has

informed PERS of this oversight and will follow the proper instructions to repay its Employer Contributions on wages.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Laws over the Board Minutes.

Applicable State Law: *Section 25-41-11, Mississippi Code Annotated (1972)*, states, “Minutes shall be kept of all meetings of a public body, whether in open or executive session, showing the members present and absent; the date, time and place of the meeting; an accurate recording of any final actions taken at such meeting; and a record, by individual member, of any votes taken; and any other information that the public body requests be included or reflected in the minutes.”

Finding Detail: During the review of School District’s Board minutes for fiscal year 2020, the auditor noted the following exceptions:

- The Board minutes did not include details of the District’s approved regular agenda, consent agenda, and personnel agenda; and
- The Board minutes did not include details of the District’s public hearings on budgets.

Failure to maintain minutes of the Board’s public hearings and detailed agendas resulted in a loss of transparency between the District and the public.

Recommendation: We recommend the Tunica County School District ensure compliance by properly detailing Board minutes in reference of its agendas and budget public hearings, as required by law.

District’s Response: Tunica County School District will provide supporting details for all of its minutes to include listing the regular agenda, consent agenda and personnel agenda items in all minutes. Tunica County School District will also keep minutes and sign-in-sheets for all future budget hearings.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Laws 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 25-1-19(1), Mississippi Code Annotated (1972), states, “...The bonds of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the office of the clerk of the chancery court of the county...”

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 (\$50,000.00), with sufficient surety. The

premium upon said bond shall be paid from the maintenance funds of the district served by such principal. Such bond shall be payable, conditioned and approved in the manner provided by law. All such bonds shall be filed and recorded in the office of the clerk of the chancery court of the county in which the school district is located.”

Section 37-39-21, Mississippi Code Annotated (1972), states, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000.00), with sufficient surety. Such bonds shall be payable, conditioned and approved in the manner provided by law, and shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located. The premium on said bond shall be paid out of the school district(s) maintenance fund(s).”

School Board Policy DJEA, Purchasing Authority, states, "Purchasing agent" shall mean superintendent. Pursuant to the authority granted by Section 37-39-15, Mississippi Code 1972 as amended, this school board hereby designates other individuals as "purchasing agents" subject to the limitations set forth below. (1) In addition to the superintendent the school board hereby designates the assistant superintendent and business manager as "purchasing agents" with general authority to negotiate for and purchase the commodities and services necessary for the operation of the school district, within the limits of budget categories and purchasing law. (3) This school board hereby designates the school principals and Superintendent/Business Manager as "purchasing agents" with the limited authority to negotiate for and purchase commodities and services necessary for the operation of their schools with the activity funds for which they are responsible as defined in board policy DK C Student Activities Fund Management, subject to all purchasing laws.”

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

- The District’s Conservator’s bond was not filed within the Chancery Clerk’s office;
- Two Principals’ bonds were for indefinite terms instead of new bonds with definite terms; and
- The District’s Board Policy requires the Assistant Superintendent and Principals to be bonded as Purchasing Agents; however, these individual were not bonded as such.

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 Tunica County 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. Additionally, the Board should ensure all bonds for employees’ and official’s bonds are filed with the Chancery Clerk.

District’s Response: Tunica County School District policy indicated the Superintendent and Business Manager as purchasing agents of the school district. The Superintendent and Business Manager are bonded as required. In addition, the board policy erroneously listed the Assistant Superintendent and Principals as purchasing agents. These individuals did not sign purchase orders or negotiate services or purchase commodities. The board has updated its policies to designate the superintendent and the business manager as the only purchasing agents of the school district. The Tunica County School District will ensure that the Interim Superintendent (Conservator) surety bond is filed in the office of the Tunica County Chancery Clerk.

Repeat Finding: No.

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, one Principal and the Purchasing Agent are covered by renewals or "Continuation Certificates". 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



“Our Focus: Teaching & Learning”

Dr. Margie Pulley
Interim Superintendent

COMPLIANCE REVIEW FINDINGS

February 24, 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 Tunica County School has received the report of findings from the Limited Internal Control and Compliance Review audit conducted for the fiscal year ending June 30, 2020. Enclosed for your review are the responses and corrective action plans.

AUDIT FINDINGS:

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

Finding Detail: During the testing of the School District’s activity fund receipts and deposits, the auditor noted the following, out of 23 tested:

- Twenty-three ticket sales were not receipted due to revenue being deposited directly into the depository nightly. This resulted in the athletic revenue not being included with the monthly transmittals, totaling \$46,576;
- There was a net shortage of (\$199) between deposits and ticket sales for varsity basketball and football games; and
- There were two instances in which the same individual signed the count sheets as both the ticket seller and verifier; and
- There was one ticket sold that was not in sequential order as the cash count sheet.

Response: The District concurs with the finding and has developed procedures to ensure that it follows the uniform system of account and financial reporting for all school activity fund transactions. All monies generated from athletic games and other activities will be receipted to the district utilizing pre-number receipts (3 parts). Any documentation including transmittal sheets necessary to support receipts shall be maintained on file as required.

Corrective Action Plan:

- a. The District has developed procedures to ensure that it follows the uniform system of account and financial reporting for all school activity fund transactions. All monies generated from athletic games and other activities will be receipted to the district utilizing pre-number receipts (3 parts). Any documentation including transmittal sheets necessary to support receipts shall be maintained on file as required.
- b. Yulanda J. Austin, Business Manager, is responsible for this corrective action.
- c. This item has been corrected.

Finding 2: The School District Should Ensure Compliance with State Laws over Certified Employees' Salaries, Verified Years of Experience, and Maintaining Background Checks in Personnel Files.

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

- There was no evidence of the District obtaining a background check for three certified employees;
- One certified employee's salary did not agree to the appropriate salary scale; and
- Five certified employee's verified years of experience does not match the Mississippi Student Information System (MSIS) report.

Response: The District concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 37-9-17(2)* as it relates to criminal background checks. The District will ensure that criminal records and background checks are completed and placed in employees' personnel files as required. We will make sure employment contracts are verified, signed and dated; and MSIS records match the actual step based upon experience in the employees' files.

Corrective Action Plan:

- a. The District has developed procedures to ensure that criminal records and background checks are completed and placed in employees' personnel files as required. The District will make sure employment contracts are verified, signed and dated; and MSIS records match the actual step based upon experience in the employees' files.
- b. Dr. Stanley Ellis, Assistant Superintendent of Personnel & Operations, is responsible for this corrective action.
- c. This item has been corrected.

Finding 3: The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

Finding Detail: During the review of the School District's PERS Form 4Bs, the auditor noted the District failed to pay the employer contribution on a PERS retiree. During fiscal year 2020, the retiree was paid \$9,109; therefore, the District should have paid 17.4% employer contributions on these wages, which equates to \$1,585.

Response: The District has implemented new procedures regarding hiring PERS retirees to ensure that all PERS retirees are appropriately flagged in the Marathon software. For the one oversight that was found during the audit, the district has verified and its payroll records have been updated to indicate the employee as a PERS retiree with a reported wages code of post retirement earnings. These actions will ensure that the district shall pay to the PERS Board the full amount of the employer's contribution. The district has informed PERS of this oversight and will follow the proper instructions to repay its Employer Contributions on wages.

Corrective Action Plan:

- a. The District has implemented new procedures regarding hiring PERS retirees to ensure that all PERS retirees are appropriately flagged in the Marathon software.
- b. Yulanda J. Austin, Business Manager, is responsible for this corrective action.
- c. This item has been corrected.

Finding 4: The School District Should Ensure Compliance with State Laws over Board Minutes.

Finding Detail: During the review of the School District's Board minutes for fiscal year 2020, the auditor noted the following exceptions:

- The Board minutes did not include details of the District's approved regular agenda, consent agenda, and personnel agenda; and
- The Board minutes did not include details of the District's public hearings on budgets.

Response: The District will provide supporting details for all of its minutes to include listing the regular agenda, consent agenda and personnel agenda items in all minutes. The District will also keep minutes and sign-in sheets for all future budget hearings.

Corrective Action Plan:

- a. The District will provide supporting details for all of its minutes to include listing the regular agenda, consent agenda and personnel agenda items in all minutes. The District will keep minutes and sign-in sheets for all future budget hearings.
- b. Dr. Margie Pulley, Interim Superintendent, is responsible for this corrective action.
- c. This item has been corrected.

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

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

- The District Conservator's bond was not filed within the Chancery Clerk's office;
- Two Principals' bonds were for indefinite terms instead of new bonds with definite terms; and
- The District's Board Policy requires the Assistant Superintendent and Principals to be bonded as Purchasing Agents; however, these individuals were not bonded as such.

Response: The District policy indicated the Superintendent and Business Manager as purchasing agents of the school district. The Superintendent and Business Manager are bonded as required. In addition, the board policy erroneously listed the Assistant Superintendent and

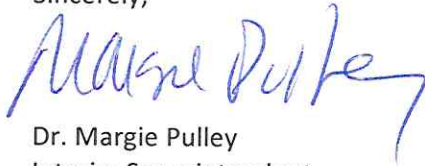
Principals as purchasing agents. These individuals did not sign purchase orders or negotiate services or purchase commodities. The Board has updated its policies to designate the Superintendent and Business Manager as the only purchasing agents of the school district. The Tunica County School District will ensure that the Interim Superintendent (Conservator) surety bond is filed in the Office of the Tunica County Chancery Clerk.

Corrective Action Plan:

- a. The Board has updated its policies to designate the Superintendent and Business Manager as the only purchasing agents of the school district. The District will ensure that all bonds are for definite terms as required. Tunica County School District Interim Superintendent's original bond is on file at the Mississippi Secretary of State Office. The Chancery Clerk could not accept the copy for the bond to file.
- b. Dr. Margie Pulley, Interim Superintendent, is responsible for this corrective action.
- c. This item has been corrected.
- d. Tunica County School District Interim Superintendent's original bond is on file at the Mississippi Secretary of State Office.

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

Sincerely,



Dr. Margie Pulley
Interim Superintendent