



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 L. Duckworth
Director, *Compliance Audit Division*



*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age, or disability.*



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
Shad White
AUDITOR

Limited Internal Control and Compliance Review Management Report

Union Public School District
417 South Decatur Street
Union, Mississippi 39365

Members of the Union Public School Board:

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

1. Strengthen Internal Controls over Bank Reconciliations;
2. Ensure Compliance with State Law over Budgeted Expenditures;
3. Ensure Compliance with State Law over Sixteenth Section Lease Payments, Appraisals, and Taxes;
4. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
5. Endure Compliance with State Law over Unemployment Compensation Fund.

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 Union Public 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
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 Union Public 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 WEAKNESS**. 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.

MATERIAL WEAKNESS

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

Internal Control Deficiency: Management is responsible for ensuring that the assets of the District are safeguarded and transactions are properly documented in the District's financial records. A critical aspect of internal controls is to ensure outstanding checks and deposits are balanced per the District's bank statements and reconciled against the amount of cash listed on the District's general ledger. 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 of internal controls is reconciling the bank accounts by adding outstanding deposits and subtracting

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 School District's Operating Bank Account was not properly reconciled to the District's general ledger cash balance, totaling **\$364,016**.

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

Recommendation: We recommend the Union Public School District strengthen controls by ensuring all bank statements are reconciled timely and properly to the District's general ledger. Also, we recommend Management reconcile bank accounts monthly to the general ledger by each fund in order to effectively and timely account for any variance from the District's book balances and comply with the District's policy.

District's Response: The District reconciled the Operating Account on or before July 13, 2020. Furthermore, the District believes any perceived errors in the bank account reconciliation may be as a result of closing year-end journal entries dated June 30, 2020 that were performed during and after the on-site compliance audit work.

Repeat Finding: No.

Auditor's Note: As noted above, all bank statements should be reconciled every 30 days. These bank statements should be reconciled to the District's cash balance. Management is responsible for ensuring all journal entries are recorded in the general ledger. The bank reconciliations should be presented to the Board monthly, and in the event there are additional entries made to the general ledger, the new bank reconciliation should be presented to the Board again.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: 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, the auditor noted the District's actual expenditures for Fund 2812, 21st Century Grant Fund, exceeded budgeted expenditures in the combined amount of **\$3,500**, and that this fund did not have budgeted expenditures.

Failure to ensure there are budgeted expenditures resulted in a deficit fund balances and noncompliance with *Section 37-61-19*.

Recommendation: We recommend the Union Public School District ensure compliance by ensuring all funds have available resources before expenditures are approved.

District's Response: The School Board approved the 21st Century Grant on May 21, 2019. Additionally, based on the fiscal year 2019 Final Combining Budget, no funds were expensed from Fund 2812.

Repeat Finding: No.

Auditor's Note: Based upon the review of the documentation provided, the budget was never amended to include the 21st Century Grant Fund and the financial statements provided documented the expenditures for Fund 2812.

Finding 3: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Payments, Appraisals, and Taxes.

Applicable State Law: *Section 29-3-57, Mississippi Code Annotated (1972)*, states, “The superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section lands; likewise, he shall keep a correct current docket upon the existing leases or any extensions thereof as to the amounts and time of payment of rentals provided for by such lease. It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease.”

Section 29-3-65, Mississippi Code Annotated (1972), states, “One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the board of education shall appoint a competent appraiser to appraise the land and report to the board his recommendation for the fair market rental amount. The board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*.”

Finding Detail: During the review of the School District’s sixteenth section leases, the auditor noted the following exceptions:

- Three lease payments were paid more than 60 days late; however, the lease agreements were not cancelled;
- Three lease agreements did not have files for each lease; therefore, auditors could not verify lease appraisals; and
- Taxes were not current on two leases; however, the lease agreements were not terminated.

Failure to terminate lease agreements due to late or non-payment of rental payments, document appraisals, and the late payment or non-payment of taxes resulted in noncompliance with state laws and regulations.

Recommendation: We recommend the Union Public School District ensure compliance by ensuring lease payments are made within 60 days, an appraisal is completed one year before the rental of sixteenth section land and is on file, and taxes on the property are current, as required by state law.

District’s Response: The District is already taking steps to ensure lease more than 60 days late on payment are cancelled, appraisals are obtained when necessary, and lease agreements are terminated for unpaid taxes.

Repeat Finding: No.

Finding 4: 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 out of seven tested:

- Two Form 4Bs did not have a documented filing date with PERS; and
- Two Form 4Bs were not filed within five days of rehire.

Failure to file the Form 4Bs 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 Union Public School District ensure compliance with state law and PERS regulations by properly completing and filing Form 4Bs within five days of rehire.

District’s Response: The District will submit Form 4Bs to PERS within five days of reemployment.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Law over 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 Compensation Fund, the auditor noted insufficient funds in the Unemployment Compensation Fund in the amount of **(\$1,782)**; therefore, the District is not in compliance with *Section 71-5-359*.

Recommendation: We recommend the Union Public School District ensure that the District has adequate funds in the Unemployment Compensation Fund to ensure compliance with *Section 71-5-359*.

District’s Response: The District is still completing the end-of-year process and had not yet made a transfer to the Unemployment Fund.

Repeat Finding: No.

End of Report

UNION

PUBLIC SCHOOL DISTRICT

Dr. Tyler Hansford, Superintendent
P.O. Box 445, Union, MS 39365 • 601.774.9579

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

September 19, 2022

Dear Mr. White:

Please find below the response and corrective action plan for each of the five audit findings discovered during our audit of the fiscal year ending June 30, 2020. Most of these items were corrected during fiscal year 2021 immediately following their discovery.

AUDIT FINDINGS:

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

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The Finance Director will ensure all bank accounts are reconciled within the required time period.
- B. Abby Winstead, Finance Director
- C. This action has been implemented.

Finding 2: The School District Should Ensure Compliance with State Law over Budgeted Expenditures.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The Finance Director, the Federal Programs Director, and the Accounts Payable Clerk will collaborate to ensure funds are properly budgeted in the accounting software before purchase requisitions are issued.
- B. Abby Winstead, Finance Director; Dr. Lori Wilcher, Federal Programs Director
- C. This action has been implemented.

Finding 3: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Payments, Appraisals, and Taxes.

Response: The District concurs with this finding.

UNION

PUBLIC SCHOOL DISTRICT

Dr. Tyler Hansford, Superintendent
P.O. Box 445, Union, MS 39365 • 601.774.9579

Corrective Action Plan:

- A. The District will notify the school board of any leases in arrears and will document in the minutes their decision to terminate the lease or their reason for not terminating. The District will communicate with the Tax Assessor's offices to receive listings of unpaid 16th section lease taxes, and the District will ensure appraisals are obtained in accordance with Section 29-3-65.
- B. Abby Winstead, Finance Director; Lisa Joyner, 16th Section Clerk
- C. This action has been implemented.

Finding 4: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The District will ensure compliance with state law and PERS by completing and filing Form 4Bs within five days of rehire.
- B. Abby Winstead, Finance Director; Lisa Joyner, Payroll Clerk
- C. This action has been implemented.

Finding 5: The School District Should Ensure Compliance with State Law over Unemployment Compensation Fund.

Response: The District concurs with this finding.

Corrective Action Plan:

- A. The District will ensure the Unemployment Compensation Fund has adequate funds to comply with Section 71-5-359.
- B. Abby Winstead, Finance Director; Lisa Joyner, Payroll Clerk
- C. This action has been implemented.

Sincerely,



Dr. Tyler Hansford
Superintendent