

# WALTHALL COUNTY SCHOOL DISTRICT

# MISSISSIPPI

## COMPLIANCE REPORT

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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**

September 20, 2021

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

Walthall County School District  
814A Morse Avenue  
Tylertown, MS 39667

Dear Walthall County School District Board:

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

1. Strengthen Controls over Education Enhancement Fund Procurement Cards;
2. Strengthen Controls and Ensure Compliance with State Laws over Sixteenth Section Deposits and Lease Payments;
3. Ensure Compliance with State Laws over Nepotism;
4. Ensure Compliance with State Laws over Reemployment of Retired Public Employees;
5. Ensure Compliance with State Laws over Background Checks; and
6. 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 the Walthall 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 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 Walthall County School District for the year ended June 30, 2020. The Office of the State Auditor's staff members participating in this engagement included Lutrina Bledsoe, Kendall Cavett and Ashley McPherson.

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, Miss. Code Ann. (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 that we consider to be *significant deficiencies* in internal control. These matters are noted under the heading **SIGNIFICANT DEFICIENCIES**. We also identified other deficiencies that we have noted under the heading **OTHER CONTROL DEFICIENCIES**.

In addition, while performing our review, auditors noted certain instances of non-compliance with state laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

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## **SIGNIFICANT DEFICIENCIES**

**Finding 1:** The School District Should Strengthen Controls over Education Enhancement Fund Procurement Cards

**Internal Control Deficiency:** The Mississippi Department of Finance and Administration, Office of Purchasing and Travel, *Small Purchase Procurement Card Account Education Enhancement Funds Program*, states, "The teacher named as "Cardholder" is requesting a procurement card to provide for access to Education Enhancement Funds as authorized by *Mississippi Code 37-61-33(3)(iii)* and that will be utilized to make financial commitments on behalf of the State. As the only authorized cardholder, Cardholder agrees to accept the responsibility for the protections and proper use of the card in accordance with the terms and conditions of the program."

**Finding Detail:** During the review of the School District's Education Enhancement Fund (EEF) procurement cards, auditors noted the following exceptions:

- Three card agreements were incomplete; and
- One employee was not included on the roster; however, the employee signed the card agreement, the roster, and received a procurement card for another employee listed on the roster.

Failure to apply effective internal controls over the District's education enhancement fund procurement cards could result in the loss or misappropriation, fraud, waste, and abuse of public funds.

**Recommendation:** We recommend the Walthall County School District strengthen controls over EEF procurement cards by ensuring the procurement roster is complete and adequate, card agreements are signed by the cardholders, and procurement card is received only by the teacher listed on the roster, as required by the *Mississippi Department of Finance and Administration*.

**District's Response:** We will comply.

**Repeat Finding:** No

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## OTHER DEFICIENCY AND NONCOMPLIANCE WITH STATE LAW

**Finding 2:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws over Sixteenth Section Deposits and Lease Payments.

**Internal Control Deficiency:** According to the *Mississippi Public School Accountability Standards*, "All receipts and checks shall be pre-numbered ... All monies shall be receipted to the school district utilizing pre-numbered receipts (2 parts) and be maintained in a bound book or ledger. Under no circumstances shall monies be deposited to any bank account without a proper receipting of such monies. Any documentation necessary to support the receipts shall be maintained on files. All receipts shall include date, received from, amount, account classification and signature of receiver, at a minimum."

**Applicable Law:** *Section 29-3-57, Mississippi Code Annotated*, states, "...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."

**Finding Detail:** During the review of the School District's sixteenth section leases, auditors noted the following exceptions:

- Three lease payments were more than 60 days delinquent; however, the lease agreements were not cancelled; and
- Two lease payments were deposited 65 to a 131 days late.

Failure to terminate lease agreements due to late rental payments resulted in non-compliance with state laws and regulations. Additionally, inadequate internal controls related to timely deposits could result in a loss of assets and improper revenue recognition.

**Recommendation:** We recommend the Walthall County School District strengthen controls over sixteenth section leases by ensuring lease payments are deposited daily and made within sixty (60) days, as required by state law and regulations.

**District's Response:** This District will comply with the applicable statute and will deposit all lease payments in a timely manner.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 3:** The School District Should Ensure Compliance with State Laws Over Nepotism.

**Applicable 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 related party questionnaires, Board minutes and contracts, the auditors noted the following violations of the nepotism statute:

- One Board member voted to approve the hiring of their granddaughter as a certified teacher; and
- One Principal recommended the hiring of their niece as a paraprofessional to the Superintendent.

Failure of the Board member to recuse themselves during the vote for a relative and of the Principal to recuse themselves from the recommendation of a relative resulted in the violation of *Mississippi Ethics Opinion 14-051-E* and *Mississippi Code Section 37-9-21*.

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

### **District’s Responses:**

**Board Member:** I was not aware of the way *37-9-21* is written. I thought it was only your immediate family (spouse and children), not third party. She has never lived with me nor has had financial ties if any kind to me or my household. Furthermore, I have not helped her financially in anyway while she was getting her education to be a teacher. And when it came before the board, if I remember correctly, there were more names to be hired in a group, not just hers. I apologize for that. In the future, I will request her to be pulled out of a group and vote on as an individual. I will recuse myself from the room.

**Principal:** The Superintendent in 2015 was aware that the candidate recommended for hire was my niece, and approved my recommendation based on credentials of the applicant.

**Repeat Finding:** No.

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

**Applicable State Laws:** *Section 25-11-127(4), Mississippi Code Annotated. (1972)*, states, “Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment.”

*Mississippi Public Employment Retirement System (PERS) Board Regulation 34, Section 105*, states, “The lawfully employ a PERS service retiree under Section 103, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of \$300 penalty per occurrence payable by the employer.”

**Finding Detail:** During the review of the School District’s PERS Form 4Bs, auditors noted the following exceptions out of 27 forms tested:

- Seven PERS Form 4Bs did not have a complete retirement date noted; and
- Twenty PERS Form 4Bs did not have evidence of being filed within five days of rehire.

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 Walthall County School District ensure compliance with *Section 25-11-127(4)* and PERS by properly completing and filing the Form 4Bs within five days after rehire.

**District’s Response:** We will comply by maintaining verification when submitted. We will also examine employees’ portion more thoroughly for completion before submitting.

**Repeat Finding:** No.

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**Finding 5:** The School District Should Ensure Compliance with State Laws over Background Checks.

**Applicable State Law:** *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.

**Finding Detail:** During the review of the School District’s certified employees’ personnel files, auditors noted the District did not obtain background checks to maintain on file for six out of 20 files reviewed.

Failure to obtain background checks for all new hires could result in a wrongful hire of an individual.

**Recommendation:** We recommend the Walthall County School District ensure compliance with *Section 37-9-17* by ensuring to obtain and maintain on file a current, criminal background check for all new hires.

**District's Response:** The District will put into place procedures to prevent this from happening in the future.

**Repeat Finding:** No.

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**Finding 6:** The School District Should Ensure Compliance with State Laws over Surety Bonds.

**Repeat Finding:** No.

**Applicable State Laws:** *Section 25-1-19, Mississippi Code Annotated (1972)*, states, "The bond 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 chancery court of the county..."

*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 37-9-31, 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, auditors noted the following exceptions:

- Two Principals and one Vocational Director were not bonded for fiscal year 2020; and
- The Business Manager's bond was not filed in the Chancery Clerk's Office.

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 Walthall County School District ensure compliance with state law by ensuring that new bonds are secured 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. Additionally, the School District should ensure all bonds for employees and officials are filed with the Chancery Clerk.

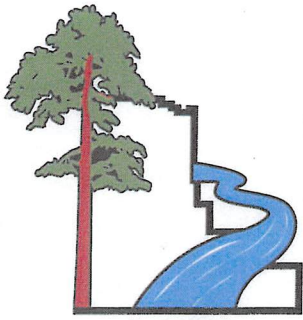
**District's Response:** Procedures are now in place to prevent this problem from occurring in the future.

**Repeat Finding:** No.

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**End of Report**





**WALTHALL**  
**COUNTY SCHOOL DISTRICT**  
Teachers teaching. Students learning. Schools improving.

**Wade L. Carney, Ed.S.**  
*Superintendent of Education*

[wcarney@wcsd.k12.ms.us](mailto:wcarney@wcsd.k12.ms.us)

Phone (601) 876-3401  
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COMPLIANCE REVIEW FINDINGS

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

December 9, 2021

Dear Mr. White:

The Walthall 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 responses and corrective action plans.

**AUDIT FINDINGS:**

Finding 1: The School District Should Strengthen Controls over Education Enhancement Fund Procurement Cards

**Response:** The District concurs with the finding.

**Corrective Action Plan:**

- a. The District will discuss with each Principal to ensure the EEF Cards are distributed to only the employee listed on the agreement, and make certain that signatures are on both the agreement and manifest.
- b. Responsible Person: Marcy Hartzog, Business Manager
- c. This item has been corrected.

Finding 2: The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws over Sixteenth Section Deposits and Lease Payments.

**Response:** The District concurs and will comply with the applicable statute and will deposit all lease payments in a timely manner.

**Corrective Action Plan:**

- a. The District has discussed with the appropriate parties the necessity of timely deposits and will monitor monthly. Language has been added to the Statement that is mailed to each lease holder referring to the State Statue concerning due date and termination if not paid on time. Any lease payments not received by due date will be brought before the school board for their recommendation.
- b. Responsible Person: Conrad Mord, School Board Attorney, 16<sup>th</sup> Section Manager
- c. This item has been corrected.

**Finding 3: The School District Should Ensure Compliance with State Laws Over Nepotism.**

**Response:**

**Board Member:** I was not aware of the way 37-9-21 is written. I thought it was only your intermediate family (spouse and children), not third party. She has never lived with me nor has had financial ties if any kind to me or my household. Furthermore, I have not helped her financially in anyway while she was getting her education to be a teacher. And when it came before the board, if I remember correctly, there were more names to be hired in a group, not just hers. I apologize for that. In the future, I will request her to be pulled out of a group and vote on as an individual. I will recuse myself from the room.

**Principal:** The Superintendent in 2015 was aware that the candidate recommended for hire was my niece, and approved my recommendation based on credentials of the applicant.

The District does concur with the findings.

**Corrective Action Plan:**

- a. The District has discussed with Administration and School Board Members the laws of Nepotism. The School Board member will recuse themselves from the recommendation and voting process of any family member. Administration will not be allowed to recommend a family member.
- b. Responsible Person: Wade Carney, Superintendent
- c. This item has been corrected.

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

**Response:** We will comply by maintaining verification when submitted. We will also examine employees' portion more thoroughly for completion before submitting.

**Corrective Action Plan:**

- a. The Business Department will strengthen controls of the onboarding process to ensure the completion and return of the form 4Bs from retirees. Also documentation of submission to PERS will be maintained with each form.
- b. Responsible Person: Marcy Hartzog, Business Manager
- c. This item has been corrected.

Finding 5: The School District Should Ensure Compliance with State Laws over Background Checks.

**Response:** The District will put into place procedures to prevent this from happening in the future. The District does concur with the finding.

**Corrective Action Plan:**

- a. The District has put procedures in place to ensure background checks are done on each applicant for hire.
- b. Responsible Person: Johnette Brock, Administrative Secretary
- c. This item has been corrected.

Finding 6: The School District Should Ensure Compliance with State Laws over Surety Bonds.

**Response:** The District does concur. Procedures are now in place to prevent this problem from occurring in the future.

**Corrective Action Plan:**

- a. The District had already discovered the problem and procedures are in place to prevent this from happening in the future.
- b. Responsible Person: Cindy Thornhill, Accounts Payable Clerk
- c. This item has been corrected.

Please feel free to contact me if additional information is needed.

Respectfully,



Wade L. Carney  
Superintendent