

CHICKASAW COUNTY SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

Limited Internal Control and Compliance Review Management
For the year ended *June 30, 2021*

SHAD WHITE
State Auditor

Stephanie C. Palmertree, CPA, CGMA
Deputy State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*



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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

February 16, 2023

Limited Internal Control and Compliance Review Management Report

Chickasaw County School District
501 Griffin Avenue
New Houlka, Mississippi 38850

Dear Members of the Chickasaw County School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Chickasaw County School District for the fiscal year 2021. In these findings, the Auditor's Office recommends the Chickasaw County School District:

1. Strengthen Internal Controls over Segregation of Duties Surrounding Receipting, Depositing, and Reporting;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Activity Fund Cash Receipts and Deposits;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval;
4. Ensure Compliance with State Law over Purchasing Procedures;
5. Ensure Compliance with State Law over Ad Valorem Advertisement Publication and Escrows;
6. Ensure Compliance with State Law over Statements of Economic Interest;
7. Ensure Compliance with State Law over Board Meeting Attendance; and
8. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by March 2, 2023. The enclosed findings contain more information about our recommendations. During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Chickasaw 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
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 **Chickasaw County School District** for the year ended **June 30, 2021**.

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

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

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

In addition, while performing our review, we noted certain instances of noncompliance with State laws that require the attention of management. These matters are noted under the heading **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.

SIGNIFICANT DEFICIENCY

Finding 1: The School District Should Strengthen Internal Controls over Segregation of Duties Surrounding Receipting, Depositing, and Reporting.

Internal Control Deficiency: Segregation of duties is a basic key to proper internal controls. It is used to ensure errors or irregularities are prevented or detected in a timely basis by employees in the normal course of business. An effective system of internal controls should include adequate segregation of duties between functions of cash receipting, depositing, and reporting.

Finding Detail: During the review of the School District's internal controls, the auditors noted that the Business Manager signs checks, handles and records cash receipts, prepares deposits, and reconciles the bank accounts.

Failure to strengthen internal controls could result in fraud or misappropriation of public monies.

Recommendation: We recommend Chickasaw County School District strengthen internal controls by implementing effective procedures to ensure there are proper segregation of duties surrounding monies collected and deposited within all locations.

District's Response: To strengthen our internal controls, Chickasaw County School District will ensure we are segregating our duties to the greatest extent possible.

Repeat Finding: No.

OTHER DEFICIENCY AND NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law 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 be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

School Board Policy DK, Student Activities Fund Management, states, “A person remitting activity funds to the principal for deposit will be given the original receipt, the second copy will be attached to the transmittal report to the central office, and the third copy will be kept in the book and on permanent file in the principal’s office. All of these pre-numbered receipts must be accounted for... All funds collected within the school must be deposited daily...”

Applicable State Law: *MDE’s Accounting Manual for School Districts, Section F, Receipts*, states, “Monies collected by the principal’s office for extracurricular activities must be receipted using a three-part receipt.” Additionally, the principal should deliver a transmittal report of all activity fund transactions five working days after the close of the month.

Finding Detail: During the review of the School District’s activity fund revenue, the auditors noted the following exceptions out of 10 tested:

- Six deposits were made four to 11 days after being receipted;
- There was a net shortage of **\$292**;
- The schools submitted weekly transmittals to the District Office and the cover sheets monthly; however, the Accounting Manual requires a detailed listing of receipts and disbursements be attached with the cover sheet monthly. Failure to do this resulted in the auditor being unable to trace game receipts to the monthly transmittal form; and
- One count sheet was missing the ending ticket number; therefore, the number of tickets sold could not be determine.

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 Chickasaw County School District strengthen internal controls and ensure compliance by implementing effective policies and procedures to assure receipts from all activity are safeguarded, adequately recognized, and recorded.

District’s Response: Chickasaw County School District will follow the new established *Chickasaw County School District Board Policy DK* in reference to future deposits of activity funds. The District will continue to stress with principals, bookkeepers and ticket takers the importance of reconciling tickets sold for activity funds and timely deposits. Transmittal sheets were received monthly from the school secretary and signed by the principal. We will train staff on the importance of this form.

Repeat Finding: No.

Finding 3: The School District Should Strengthen Internal 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 37-61-19, 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...”

Finding Detail: During the review of the School District’s budgeting expenditures, the auditors noted the following exceptions:

- The original 2020-2021 budget included the following six funds reflecting a negative fund balances at year-end:
 - Title I Part A Fund (2211) – **(\$100)**;
 - Title II – A TCH Quality Fund (2511) – **(\$6,499)**;
 - EHA Part B 2000 FY Grant Fund (2610) – **(\$5,375)**; and
 - Title IV Part A Safe and Drug Fund (2811) – **(\$4,663)**.
- The amended 2020-2021 budget included the following three funds reflecting a negative fund balance at year-end:
 - ESSER-COVID Supply Chrom Match Fund (2590) – **(\$2,664)**;
 - MS Pandemic Response Broadband HB1788 Fund (2593) – **(\$67,894)**; and
 - EHA Part B 2000 FY Grant Fund (2610) – **(482)**.

The approval of fund budgets with ending deficit fund balances could result in a violation of state law; however, in this case the actual fund balances at June 30, 2021 were not negative.

Recommendation: We recommend the Chickasaw County School District strengthen internal controls and ensure compliance by implementing budgeting practices that will prevent projected negative fund balances from being presented to the School Board. A thorough review of such budgets should be made prior to presentation to the Board for approval.

District’s Response: Chickasaw County School District, in the future, will ensure the projected fund balance does not contain a deficit amount prior to the adoption of the budget.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 4: The School District Should Ensure Compliance with State Law over Ad Valorem Advertisement Publication and Escrow.

Applicable State Law: *Section 27-39-207(2)(a), Mississippi Code Annotated (1972)*, states, “The school board of the school district shall advertise its intent to increase its ad valorem tax effort in dollars in a newspaper of general circulation in the county. The advertisement shall be no less than one-fourth ($\frac{1}{4}$) page in size and the type used shall be no smaller than eighteen (18) point and surrounded by a one-fourth-inch solid black border. The advertisement shall not be placed in any portion of the newspaper where legal notices and classified advertisements appear.”

Section 37-57-107(3), Mississippi Code Annotated (1972), states, “Except as otherwise provided for excess revenues generated pursuant to an election, if revenues collected as the result of the taxes levied for the fiscal year pursuant to this

section and *Section 37-57-1* exceed the increase limitation, then it shall be the mandatory duty of the school board of the school district to deposit such excess receipts over and above the increase limitation into a special account and credit it to the fund for which the levy was made. It will be the further duty of such board to hold said funds and invest the same as authorized by law. Such excess funds shall be calculated in the budgets for the school districts for the purpose for which such levies were made, for the succeeding fiscal year. Taxes imposed for the succeeding year shall be reduced by the amount of excess funds available. Under no circumstances shall such excess funds be expended during the fiscal year in which such excess funds are collected.”

Finding Detail: During the review of School District’s ad valorem tax request, the auditors noted the following exceptions:

- The District’s advertisement of its “Notice of Proposed Ad Valorem Tax Effort” did not have the one-fourth inch solid black border; therefore, the District could not receive the 4% increase in ad valorem taxes for fiscal year 2021; and
- The District received more ad valorem taxes and homestead exemption reimbursements than the amount allowed by *Section 37-57-107, Mississippi Code Annotated (1972)*. The excess is the result of the District receiving more tax revenue from the County than the District’s base amount. The District did not calculate an escrow; however, the District’s escrow should have been **\$25,362**.

Due to the inadequate calculations, controls, policies, and procedures, surrounding the escrow of the excess ad valorem, homestead tax revenue, and not properly running the advertisement within the local newspapers, the District is in violation of *Mississippi Code Sections 27-39-207(2)(a)* and *37-57-107*.

Recommendation: We recommend the Chickasaw County School District ensure compliance by implementing adequate policies and procedures to ensure its ad valorem advertisement is as required by state law. Also, the School District should escrow the excess noted, totaling **\$25,362**.

District’s Response: Chickasaw County School District going forward will ensure the entire ad is encased with a 1/4 “solid black box.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Law over Purchasing Procedures.

Applicable State Law: *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 invoices for amounts within those 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 as to appear to be authorized as purchases for which competitive bids are not required. Submission of such invoices shall constitute a misdemeanor punishable by a fine of not less than Five Hundred Dollars (\$500.00) nor more than One Thousand Dollars (\$1,000.00), or by imprisonment for thirty (30) days in the county jail, or both such fine and imprisonment. In addition, the claim or claims submitted shall be forfeited.”

Mississippi Department of Information Technology Services, Policy 8, Section 8.5, Solicit Quotations and Evaluate Seller Offerings for Lowest and Best, states, “EPL customers must evaluate seller proposals and document that they are choosing the products and sellers that meet their “lowest and best” criteria and that proposals are valid for the IT Hardware EPL.”

Mississippi State Board of Education Manual, Section D, Purchasing and School Board Policy, Section D, Fiscal Management, Policy Board Policy DJEG, Purchase Orders and Contracts states, “Prior to paying any claim, the accounts payable clerk should match the purchase order, vendor invoice, purchase requisition, and receiving report.

Finding Detail: During the review of the School District's purchasing procedures, the auditors noted the following exceptions:

- Three vendor payments were in excess of the approved purchase order amounts; and
- The second bid for one vendor purchase with Synergetics was received after the invoice date.

Failure to follow purchasing law, Board policy, and *Accounting Manual* could result in fraud or misappropriation of public monies and resulted in the noncompliance with state law and regulations.

Recommendation: We recommend the Chickasaw County School District ensure compliance by assuring all purchases and bids are being followed, and monitor according to state law and regulations.

District's Response: Management will discuss the purchasing policy again with staff.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

Applicable State Law: *Section 25-4-25, Mississippi Code Annotated (1972)*, provides that: "Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a) Persons elected by popular vote..." *Section 25-4-29(1), Mississippi Code Annotated (1972)*, provides that "Required statements hereunder shall be filed as follows: a) Every incumbent public official required...to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration...2) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00) shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer's county of residence..."

Finding Detail: During the review of the School District's Statements of Economic Interest, the auditors noted all five Board members failed to file a Statement of Economic Interest by May 1st.

Failure to file the Statement of Economic Interest resulted in noncompliance with *Section 25-4-25* and could result in fines being assessed and a civil judgment being enrolled against the delinquent filers, as allowed by *Section 25-4-29(2)*.

Recommendation: We recommend the Chickasaw County School District ensure compliance by assuring all Board members file a Statement of Economic Interest annually, no later than May 1st of each year that such official holds office, as required by law.

District's Response: Management will communicate to the School Board Members the state laws related to the Statements of Economic Interest to ensure timely submission.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Board Meeting Attendance.

Applicable State Law: *Section 37-6-13(2)(a)(b), Mississippi Code Annotated (1972)*, states, "If a member of a school board misses twenty percent (20%) or more of the meetings of the school board during a calendar year, except for absences

caused by required military duty, the member must reimburse the school district that portion of the total salary paid to the member that year which is proportionate to the number of meetings missed by the member in relation to the total number of school board meetings held during that year. For purposes of this subsection, consideration may be given only to meetings of which public notice is required. Before February 1 of each year, the president of each local school board shall submit a report to the State Board of Education containing the names of any members of the school board who missed twenty percent (20%) or more of the school board meetings during the preceding calendar year.”

Finding Detail: During the review of the School District’s Board meeting attendance, the auditors noted the following exceptions:

- One Board member was absent for more than 20% of the 2020 calendar year Board meetings; and
- The School Board President did submit a report to Mississippi Department of Education; however, they did not include the Board member who was absent for more than 20% of the Board meetings.

Due to one Board Member not attending the required percentage of Board meetings and not submitting an accurate report of the names of its Board members absent more than 20% of the Board meetings, the District is not in compliance with *Section 37-6-13(2)(a)(b)*.

Recommendation: We recommend the Chickasaw County School District ensure compliance by assuring all Board members are present for at least 80% of the meetings each calendar year and report any absences over 20% to the State Board of Education by February 1st.

District’s Response: Management will give the School Board President *Mississippi Code 37-6-13* to help insure this requirement is met in the future.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *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 Section D, Policy Code DJEA, Purchasing Authority, states, “In addition to the superintendent the school board hereby designates the Principal as a purchasing agent for Chickasaw County School District.”

Finding Detail: During the review of School District’s surety bonds, the auditor noted the following employees were bonded as purchasing agents; however, the District’s Board policy does not designate those positions as purchasing agents:

- Two Business Managers,
- Chief Operation Officer,
- Transportation Director, and
- Athletic Director.

Failure to designate all positions acting as purchasing agents is a violation of the District’s Board policy.

Recommendation: We recommend the Chickasaw County School District ensure compliance by assuring all its purchasing agents are designated by the School Board's policy and spread upon its minutes.

District's Response: Management will obtain definite term surety bonds for employees as required by state law. Management will revise *School Board Policy DJEA* to designate all positions to be bonded.

Repeat Finding: No.

OTHER RECOMMENDATIONS MADE BY THE OFFICE OF THE STATE AUDITOR

The Office of the State Auditor recommends that the School Board consider obtaining new surety bonds for the following: As noted during our test work, the Business Manager, one Principal, and two Purchase Agents are covered by "continuation certificates" or renewals. 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



JOHN ELLISON, SUPERINTENDENT

P.O. Drawer 351 ~ Houston, Mississippi 38851
662-456-3332 ~ fax 662-456-5259

COMPLIANCE REVIEW FINDINGS

February 24, 2023

Shad White, State Auditor

Office of the State Auditor

State of Mississippi

P.O. Box 956

Jackson, MS 39205-0956

The Chickasaw 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, 2021. Below you will find responses and corrective action plans.

Finding 1: Segregation of Duties Surrounding Receipting, Depositing, and Reporting.

District's Response: Chickasaw County School District concurs with this finding. With a total of 3 employees in the Central Office the segregation of duties was a challenge.

Corrective Action Plan:

- A. Duties will be segregated to the greatest extent possible.
- B. Sarah Juckes, Business Manager
- C. Action has been completed

Finding 2: Activity Fund Cash Receipts and Deposits.

District Response: Chickasaw County School District concurs with this finding

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Corrective Action Plan:

- A. Chickasaw County School District will follow the newly established Chickasaw County School District board policy DK in reference to future deposits of Activity Funds. Transmittal sheets were received monthly from the school secretary and signed by the Principal. A copy of these was given to the auditors. There was not a net shortage as explained. The gatekeeper failed to enter an ending ticket number and counted the start-up cash in the total in error. We do understand if the form had been filled out correctly, to begin with, this would not have been an issue.
- B. Sarah Juckes, Business Manager
- C. Training will be held annually for all Secretaries to ensure the policy and procedures are followed as it relates to Activity Fund Cash Receipts and Deposits. Action has been completed.

Finding 3: Budget Approval.

District Response: Chickasaw County School District concurs with this finding.

Corrective Action Plan:

- A. In the future we will budget to not have a negative balance.
- B. Sarah Juckes, Business Manager
- C. This practice has been implemented.

Finding 4: Ad-Valorem Advertisement and Publication.

District Response: Chickasaw County School District concurs with this finding.

Corrective Action Plan:

- A. Going forward, Chickasaw County School District will ensure the entire ad is encased with a solid ¼ solid black box
- B. Sarah Juckes, Business Manager
- C. Action has been completed.

Finding 5: Purchasing Procedures.

District Response: Chickasaw County School District concurs with this finding

Corrective Action Plan:

- A. The purchasing policy will be addressed annually with staff.
- B. Sarah Juckes, Business Manager
- C. Action has been completed.

Finding 6: Statements of Economic Interest.

District Response: Chickasaw County School District concurs with this finding.

Corrective Action Plan:

- A. Management will communicate with the School Board Members the importance of completing this document.
- B. John Ellison, Superintendent, and Sarah Juckes, Business Manager
- C. Action has been completed.

Finding 7: Board Meeting Attendance.

District Response: Chickasaw County School District concurs with this finding.

Corrective Action Plan:

- A. The Board President has been informed of the law and attendance requirement
- B. Mr. John Ellison, Superintendent, and Sarah Juckes, Business Manager
- C. Action has been completed.

Finding 8: Surety Bonds.

District Response: Chickasaw County School District concurs with this finding.

Corrective Action Plan:

- A. The Chickasaw County School District Revised Board Policy DJEA to designate all positions and contacted the bonding company and continuation certificates have been replaced with bonds for a defined period of time.
- B. Sarah Juckes, Business Manager
- C. Action has been completed.

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

Respectfully,

A handwritten signature in black ink, appearing to read 'John Ellison', written in a cursive style.

John Ellison, Superintendent