

CLAIBORNE 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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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

Claiborne County School District
404 Market Street
Port Gibson, MS 39150

Members of the Claiborne County School Board:

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

1. Strengthen Internal Controls over Activity Fund Receipts and Deposits;
2. Strengthen Internal Controls over Bank Reconciliations;
3. Ensure Compliance with State Law over Teacher Incentives;
4. Ensure Compliance with State Law over Approval of Depositories;
5. Ensure Compliance with State Law over Statement of Economic Interest;
6. Ensure Compliance with State Law over Maintaining Background Checks and MDE Certifications in Personnel Files; and
7. Ensure Compliance with State Law over Sixteenth Section Lease Payments and Appraisals.

Please review the recommendations and submit a plan to implement them by **November 14, 2022**. 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 Claiborne 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 Claiborne 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 that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **SIGNIFICANT DEFICIENCIES**. We also noted certain deficiencies in controls that we noted under the heading **OTHER DEFICIENCIES**.

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**.

SIGNIFICANT DEFICIENCIES

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 be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Finding Detail: During the review of the School District's activity/athletic fund deposits and receipts, the auditors noted the following exceptions out of six tested:

- Five instances where there were no beginning and/or ending ticket numbers noted;
- One deposit was made 11 business days after the money was receipted; and
- One deposit could not be traced to the transmittal sheet; therefore, auditors could not verify its accuracy.

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 Claiborne County School District strengthen internal controls by enforcing policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: The Claiborne County School District has developed a new event accountability form that includes the beginning and ending ticket numbers, the number of tickets issued, the number of tickets sold, amount of expected cash and the amount of cash collected. Deposits of the correct funds will be closely monitored with a check and balance system. Deposits will be made within a three business day window.

Repeat Finding: No.

Finding 2: 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.

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 review of the School District's bank reconciliations, the auditors noted the District's Food Service bank account was not properly reconciled to the District's general ledger and trial balance with a variance totaling **\$8,733**.

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

Recommendation: We recommend the Claiborne County School District strengthen internal controls by implementing policies and procedures to ensure all transactions are properly recorded in the general ledger and all variances from book balances are accounted for in a timely manner.

District's Response: The cash balance statement at June 30, 2021 was used to reconcile the Food Service bank account and indicated a balance of \$552,062.07. On July 20, 2021, a transfer in the amount of \$8,732.77 was completed to the accounts payable clearing account. This transaction/transfer had not occurred as of June 30, 2021, and therefore, was not identified as a reconcilable item for the month of June 2021. However, as a corrective action, the district will ensure that transactions are properly recorded in the general ledger and all variances from book balances are accounted for in a timely manner.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 3: The School District Should Ensure Compliance with State Law over Teacher Incentives.

Applicable State Law: *Attorney General Opinion No. 2020 WL 8026069*, states, "Our office has consistently opined that "incentive payments are permissible when the incentive payment is contracted for by the employer and employee prior to the date when the services are performed, is determined in accordance with objective standards of measurement and is earned by personal services performed by the employee."

Article 4, Section 96, Mississippi Constitution provides that the Legislature shall never grant extra compensations, fee, or allowance, to any public officer, agent, servant, or contractor, after service rendered or contract made, nor authorize payment, or part payment, of any claim under any contract not authorized by law.

Finding Detail: During the review of the School District's expenditures, the auditors noted eight certified teachers were paid teacher incentives, totaling **\$2,600**, through the District's payroll for the performance of their duties and approved within the claims by the School Board. These incentives were paid after the approval of their contracts, which constitutes as a donation under the *Mississippi State Constitution*.

Due to the payment of these incentives to its teachers after the approval of their contracts at the beginning of the school year, the District is in violation of *Attorney General Opinion 2020 WL 8026069 and Article 4, Section 96 of the Mississippi Constitution*.

Recommendation: We recommend the Claiborne County School District ensure compliance by strengthening policies and procedures to assure public funds are not wrongly expended on its personnel, as required by state law and regulations. Additionally, the District should ensure that any teacher incentives paid are in accordance with law.

District's Response: The Claiborne County School District will strengthen its policies and procedures to ensure public funds are not expended on its personnel, as required by state laws and regulations. The District will prepare and provide to the auditor a written Corrective Action Plan that will include details that ensure the District is properly reimbursed the **\$2,600** of disallowed donation. This plan will be sent to the Office of the State Auditor's within 10 business days of the issuance of this report (prior to February 2, 2022).

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Law over the Approval of Depositories.

Applicable State Law: *Section 37-7-333, Mississippi Code Annotated (1972)*, states "... In the event a bank submits a bid or offer to a school district to act as a depository for the district and such bid or offer, if accepted, would result in a contract in which a member of the school board would have a direct or indirect interest, the school board should not open or consider any bids received. The superintendent of schools shall submit the matter to the State Treasurer, who shall have the authority to solicit bids, select a depository or depositories, make all decisions and take any action within the authority of the school board under this section relating to the selection of a depository or depositories."

Finding Detail: During the review of the School District's approved depositories and related party questionnaires, the auditors noted one Board member had a direct interest in the approved depository, Riverhills Bank; however, the Superintendent did not submit the defer the bids to the State Treasurer, as required by *Section 37-3-33*.

Failure to submit the bids of the District's depository resulted in the District's noncompliance with state law.

Recommendation: We recommend the Claiborne County School District ensure compliance by submitting bids for its depository to the State Treasurer if a Board member(s) has a direct or indirect interest in the depository, as required by state law.

District's Response: The School Board, Superintendent, and management will ensure compliance, by submitting bids for depository to the State Treasurer, if Board Members have a direct or indirect interest in the depository, as required by state law.

Repeat Finding: No.

Finding 5: 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 Statement of Economic Interest, the auditors noted one Board member had not filed a Statement of Economic Interest by May 1st, as required by state law.

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 Claiborne 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, regardless of the duration.

District’s Response: The Claiborne County School District has notified the one School Board Member to file the 2021 Statement of Economic Interest as soon as possible. In the future, School Board Members will be urged to file the Statement of Economic interest prior to the May 1st deadline of each elected year.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Maintaining Background Checks and MDE Certifications in Personnel Files.

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. Additionally, employees employed under the recommendation of a personnel supervisor may not be paid compensation in excess of their approved contract without Board approval.

Mississippi State Board of Education Manual, Section B, Miscellaneous Issues, Policy D. Personnel Files states, “There shall be individual personnel files in the school district central office, which include contracts, a copy of teacher certifications...”

Finding Detail: During the review of the School District’s personnel files, the auditors noted the following exceptions out of 20 files reviewed:

- One certified employee’s personnel file did not include a copy of their educator certification; and
- Four certified employees’ personnel files did not include evidence of background checks.

Recommendation: We recommend the Claiborne County School District ensure compliance by assuring to obtain criminal background checks for all employees and maintain educator certifications within personnel files, as required by state law.

District's Response: The Claiborne County School District has recently employed a Human Resources/Risk Management Clerk whose responsibilities include ensuring that all documents, including certifications from the Mississippi Board of Education and criminal background checks, are maintained in the personnel files of all employees, as required by law.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Payments and Appraisals.

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 auditors noted the following exceptions:

- One lease payment was paid more than 60 days late; however, the lease agreement was not cancelled; and
- Appraisals were not obtained for four lease agreements a year before leasing.

Failure to terminate the lease agreement due to non-payment of rental payments and appoint appraisers resulted in noncompliance with state law.

Recommendation: We recommend the Claiborne County School District ensure compliance by assuring lease payments are within 60 days of due date, and an appraiser is appointed one year before the rental of sixteenth section land, as required by state law.

District's Response: The Claiborne County School District will ensure that an appraiser is appointed one year before the rental of sixteenth section land, as required by state law and regulations.

Repeat Finding: No.

End of Report

Dr. Shundera Stallings, Business Manager
Mrs. Ronda Cook, Payroll
Mrs. Dinah Haralson, Accounts Payable
Mrs. Angela Thompson, HR/Risk Management



Dr. Sandra R. Nash
Superintendent

Mrs. Trena Warren
Deputy Superintendent

www.claiborne.k12.ms.us • 404 Market Street • P. O. Box 337 • Port Gibson, MS 39150 • Ph: 601.437.4232 • Fax: 401.437.3036

November 9, 2022

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

Dear Mr. White:

The Claiborne County School District strives to ensure compliance with all requirements set forth by regulatory agencies. We will continue to exhibit financial integrity while enhancing our internal controls and safeguarding the assets of Claiborne County School District.

Attached you will find responses to the recent audit findings.

Sincerely,

A handwritten signature in black ink that reads "Sandra R. Nash". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Sandra R. Nash
Superintendent

SRN:sls

Attachments

The Mission of the District is "To educate, equip and inspire all students to achieve their full potential."

The Vision of the District is: "Coming together, working together, succeeding together to benefit every student."

Dr. Shundera Stallings, Business Manager
Mrs. Ronda Cook, Payroll
Mrs. Dinah Haralson, Accounts Payable
Mrs. Angela Thompson, HR/Risk Management



Dr. Sandra R. Nash
Superintendent

Mrs. Trena Warren
Deputy Superintendent

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COMPLIANCE REVIEW FINDINGS

Finding 1:

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

Response:

The Claiborne County School District will strengthen internal controls over activity fund cash receipts and deposits with a revised accountability form and timely deposits.

Corrective Action Plan:

- a. The Claiborne County School District has developed a new event accountability form that includes the beginning and ending ticket numbers, the number of tickets issued, the number of tickets sold, the amount of expected cash and the amount of cash collected. Deposits of the correct funds will be closely monitored with a check and balance system. Deposits will be made within a three-business day window.
- b. Dr. Shundera L. Stallings, Business Manager
- c. Immediate corrective action

Finding 2:

The School District Should Strengthen Internal Controls of Bank Reconciliations.

Response:

The Claiborne County School District will strengthen internal controls of bank reconciliations to ensure that checks and deposits are balanced and reconciled against the general ledger and trial balance.

Corrective Action Plan

- a. The Claiborne County School District will strengthen internal controls by implementing policies and procedures to ensure that all transactions are properly recorded in the general ledger and all variance from book balance are accounted for in a timely manner.
- b. Dr. Shundera Stallings, Business Manager
- c. Immediate Corrective Action

Finding 3

The School District Should Ensure Compliance with State Law over Teacher Incentives.

Response:

The Claiborne County School District will ensure compliance by strengthening policies and procedures to assure public funds are not incorrectly expended on its personnel, as required by state law and regulations. The Claiborne County School District will ensure that any teacher incentives paid are in accordance with law.

Corrective Action

- a. The Claiborne County School District will strengthen its policies and procedures to ensure public funds are not expended on its personnel, as required by state laws and regulations. The funds referenced have been paid back to the Claiborne County School District.
- b. Dr. Shundera L. Stallings, Business Manager
- c. Immediate Corrective Action

Finding 4:

The School District Should Ensure Compliance with State Law over the Approval of Depositories.

Response:

The School Board, Superintendent, and Business Manager will ensure compliance, by submitting bids for depository to the State Treasurer, if Board Members have a direct or indirect interest in the depository, as required by state law.

Correction Action:

- a. The Claiborne County School District will ensure compliance by submitting bids for its depository to the State Treasurer if a Board member(s) has a direct or indirect interest in the depository, as required by state law.
- b. The School Board; Dr. Sandra Nash, Superintendent; Dr. Shundera L. Stallings, Business Manager
- c. Immediate Corrective Action

Finding 5:

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

Response:

The Claiborne County School District will 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, regardless of the duration.

Corrective Action:

- a. The Claiborne County School District has notified the one School Board Member to file the 2021 Statement of Economic Interest as soon as possible. In the future, School Board Members will be encouraged to file the Statement of Economic interest prior to the May 1st deadline of each elected year. The Superintendent will request that each member completes the online form on or before the April Board Meeting.
- b. The School Board; Dr. Sandra R. Nash, Superintendent
- c. Immediate Corrective Action

Finding 6:

The School District Should Ensure Compliance with State Law over Maintaining Background Checks and MDE Certifications in Personnel Files.

Response:

The Claiborne County School District will ensure compliance by obtaining criminal background checks for all employees and maintaining educator certifications within personnel files, as required by state law.

Corrective Action

- a. The Claiborne County School District has recently employed a Human Resources/Risk Management Clerk whose responsibilities include ensuring that all documents, including certifications from the Mississippi Board of Education and criminal background checks, are maintained in the personnel files of all employees, as required by law.
- b. Dr. Shundera L. Stallings, Business Manager; Mrs. Angela Thompson, Human Resources
- c. Immediate Corrective Action

Finding 7:

The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Payments and Appraisals.

Response:

The Claiborne County School District will ensure compliance by assuring that lease payments are made within 60 days of due date, and that an appraiser is appointed one year before the rental of sixteenth section land, as required by state law.

Corrective Action:

- a. The Claiborne County School District will ensure that an appraiser is appointed one year before the rental of sixteenth section land, as required by state law and regulations.
- b. Dr. Shundera L. Stallings, Business Manager; Ms. Shelia Barnes, Sixteenth Section Clerk
- c. Immediate Corrective Action