

HOLLANDALE SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

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

SHAD WHITE, CFE
State Auditor

Stephanie C. Palmertree, CPA, CFE, 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

Hollandale School District
101 W Washington Street
Hollandale, MS 38748

Members of the Hollandale School Board:

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

1. Strengthen Internal Controls over Bank Reconciliations;
2. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Preparation and Approval;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Education Enhancement Fund (EEF) Procurement Cards;
5. Ensure Compliance with State Law over Depository Bid Approvals;
6. Ensure Compliance with State Law over Purchases More Than \$5,000 But Not Over \$50,000;
7. Ensure Compliance with State Law over Travel Expense Reimbursements;
8. Ensure Compliance with State Law over Ad Valorem Escrow;
9. Ensure Compliance with State Law over Statements of Economic Interest;
10. Ensure Compliance with State Law over Sixteenth Section Lease Appraisals;
11. Ensure Compliance with State Law over Sixteenth Section Shared Township Revenue;
12. Ensure Compliance with State Law over Obtaining and Maintaining Background Checks for New Hires;
13. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
14. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them 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 Hollandale 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, CFE, 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 **Hollandale 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 a *material weakness* in internal control and certain deficiencies in internal control that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **SIGNIFICANT DEFICIENCIES** and **OTHER DEFICIENCY**.

In addition, while performing our review, we noted certain instances of noncompliance with state law 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 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 outstanding checks to the balance per bank statement to reconcile to the amount of cash that is listed on the general ledger of the District to what is recorded at the bank. 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."

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Finding Detail: During the testing of the School District's bank reconciliations, the auditor noted the following six bank accounts were not properly reconciled to the general ledger's cash balance resulting in a difference totaling **(\$30,835)**:

- Clearing Account – **\$305**;
- Activity Funds – **(\$605)**;
- HSD State Aid Capital Fund – **(\$861)**;
- Payroll Clearing Account – **(\$2,419)**;
- School Food Fund - **\$3,345**; and
- District Maintenance Fund – **(\$30,600)**.

Failure to record all transactions in the general ledger and 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 Hollandale School District strengthen internal controls by implementing adequate 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 following action will be taken to improve bank reconciliations: The Hollandale School District will reinforce policies and procedures to guarantee all financial exchanges are recorded properly within the general ledger and all variances from our book balances, and are accounted for in an opportune way. All bank statements will be reconciled within 30 days of receipt. Presentation of reconciled bank statement shall be made at the next regular board meeting after the bank statements are reconciled. Bank statements shall be reconciled to the district's general ledger cash balances in a timely, accurate manner.

Repeat Finding: No.

Finding 2: 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.

School Board Policy, Section D, Policy DK, Student Activities Fund Management, states, "A person remitting activity fund 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..."

Finding Detail: During the testing of the School District's activity/athletic fund, the auditors noted the following exceptions out of 13 tested:

- Six transmittal sheets were not provided to Central Office;
- Six count sheets were not provided to OSA; therefore, the actual ticket sales could not be verified; and
- One deposit wasn't made until six days after collection.

Inadequate internal controls related to activity funds revenue collections, properly receipting, and depositing could result in a loss of assets and improper revenue recognition.

Recommendation: We recommend the Hollandale School District strengthen internal controls by ensuring adequate policies are in place to ensure receipts from all activity funds are safeguarded, properly recognized, and recorded.

District's Response: Hollandale School District (HSD) will ensure compliance with Activity Fund Cash, Receipts and Deposits by training and updating HSD Staff on strengthening internal controls, update and enforce policies and procedures to ensure receipts from all activity funds are safeguarded, properly recognized, and recorded.

Repeat Finding: No

OTHER DEFICIENCY AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 3: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budget Preparation and 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 for fiscal year 2021, the auditors noted the following exceptions:

- On June 9, 2020, the Board approved the 2020-2021 original budget that included ten funds reflecting a projected negative fund balance at year end; and
- On June 30, 2021, the Board approved the amended 2020-2021 budget included the following eight funds reflecting a negative fund balance at year-end:
 - Title II (2511) – **(\$56,412)**;
 - ESSERF Fund Cares Act (2590) – **(\$4,925)**;
 - Equity in Digital Learning (2592) – **(\$186,489)**;
 - HB1788 (2593) – **(\$48,306)**;
 - Special Education Regular (2610) – **(\$6,054)**;
 - Pres School Regular (2620) – **(\$6,233)**;
 - Title IVA(2811) – **(\$14,600)**; and
 - 21ST Century Program (2812) – **(\$319,065)**.

The approval a budget with negative fund balances could result in actual fund balances being negative and violation of state law. However, in this case, the actual fund balances at June 30, 2021 were not negative.

Recommendation: We recommend the Hollandale School District ensure compliance by assuring all funds have available resources before expenditures are approved and spread upon the Board minutes, as required by state law. A thorough review of such budgets should be made prior to presentation to the Board for approval.

District’s Response: We recognize that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Hollandale School District. Hollandale School District ensures compliance with *Sections 37-61-19* by reinforcing controls of all funds. We will continue to have all expenditures approved and spread upon the Board minutes.

Repeat Finding: No.

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Education Enhancement Fund Procurement Cards.

Internal Control Deficiency: An effective system of internal control requires a complete and accurate roster for the distribution of Education Enhancement Fund Cards, as well as completed Teacher Cardholder Agreements should be maintained and emailed to the Mississippi Department of Education by District's program Coordinator annually.

Applicable State Law: *Section 37-61-33(3)(iii), Mississippi Code Annotated (1972)*, authorizes an eligible teacher or "cardholder" may receive a procurement cards to provide access to the Education Enhancement Funds (EEF). By signing for and using the EEF procurement card, you agree to abide by the terms and policies outlined in the Teacher cardholder agreement. Each teacher is responsible for all purchases and must not allow anyone else to make purchases. Additionally, the EEF procurement card and account numbers are unique and registered to each teacher.

Finding Detail: During the testing of the School District's Education Enhancement Fund (EEF) procurement cards, the auditor noted that 19 out of 20 teachers' cardholder agreements reviewed did not identify the card account numbers.

Inadequate internal controls and procedures surrounding the School District's Education Enhancement Procurement cards could result in the loss or misappropriation, fraud, waste, and abuse of public funds.

Recommendation: We recommend the Hollandale School District ensure compliance by implementing adequate policies and procedures to assure the EEF card agreements include the teachers' unique card number going forward.

District's Response: The District will keep an accurate roster and sign-out sheet of the distribution EEF cards, as well as a completed Teacher Cardholder Agreement. The agreement will be mailed to the Mississippi Department of Education annually.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 5: The School District Should Ensure Compliance with State Law over the Depository Bids.

Applicable State Law: *Section 37-7-333, Mississippi Code Annotated (1972)*, states, "All such allotments or funds shall be placed in the depository or depositories selected by the school board in the same manner as provided in *Section 27-105-305* for the selection of county depositories. Provided, however, the annual notice to be given by the school board to financial institutions may be given by the school board at any regular meeting subsequent to the board's regular December meeting but prior to the regular May meeting. The bids of financial institutions for the privilege of keeping school funds may be received by the school board at some subsequent meeting, but no later than the regular June meeting; and the selection by the school board of the depository or depositories shall be effective on July 1 of each year. School boards shall advertise and accept bids for depositories, no less than once every three (3) years, when such board determines that it can obtain a more favorable rate of interest and less administrative processing. Such depository shall place on deposit with the superintendent of schools the same securities as required in *Section 27-105-315*."

Finding Detail: During the review of the School District's school depositories, the auditors noted the District did not provide copies of the bids and proposals documentation submitted for depository approval as well as the Board minutes to verify that the School Board approved Guaranty Bank as the District's official depository institution for the 2021 fiscal year.

Due to inadequate internal controls surrounding the approval of depositories, the District is not in compliance with *Section 37-7-333*.

Recommendation: We recommend the Hollandale School District ensure compliance by properly accepting bids for depositories by July 1st every three years, maintaining, and recording details of all depository bids and approvals within its minutes, as required by state law.

District's Response: The school district will comply with *MS Code 37-7-333* by ensuring that all procedures for advertising, documenting bids, and developing minutes are completed by July 1st every three years.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Purchases More than \$5,000 but Not Over \$50,000.

Applicable State Law: *Section 31-7-13(b) Mississippi Code Annotated (1972)*, states, "Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained..."

Finding Detail: During the review of the School District's purchasing expenditures, the auditor noted two bids/quotes for three vendor purchases were not obtained for purchases that were more than \$5,000 but not over \$50,000.

Failure to follow purchase law could result in fraud or misappropriation of public monies and resulted in noncompliance with *Section 31-7-13(b)*.

Recommendation: We recommend the Hollandale School District ensure compliance by assuring all purchases comply with state purchase law.

District's Response: The following action will be taken to improve purchasing practices: The Hollandale School District will comply with all state and federal laws regarding purchasing and procurement. We follow policies and procedures to ensure quality products and serves and purchasing to provide the best value for the District. In addition, we will acquire the necessary quotes for purchases as outline in the state statutes.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Travel Expense Reimbursements.

Applicable State Law: *Section 25-3-41(1), Mississippi Code Annotated (1972)*, states, "Subject to the provisions of subsection (10) of this section, when any officer or employee of the State of Mississippi, or any department, agency or institution thereof, after first being duly authorized, is required to travel in the performance of his official duties, the officer or employee shall receive as expenses for each mile actually and necessarily traveled, when the travel is done by a privately owned automobile or other privately owned motor vehicle, the mileage reimbursement rate allowable to federal employees for the use of a privately owned vehicle while on official travel."

Section 25-3-41(4), Mississippi Code Annotated (1972), states, "In addition to the foregoing, a public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the travel, subject to limitations placed on meals for intrastate and interstate official travel by the Department of Finance and Administration, provided, that the Legislative Budget Office shall place any limitations for expenditures made on

matters under the jurisdiction of the Legislature. The Department of Finance and Administration shall set a maximum daily expenditure annually for such meals and shall notify officers and employees of changes to these allowances immediately upon approval of the changes.”

Finding Detail: During the testing of the School District’s travel reimbursements, the auditors noted the following exceptions:

- Eleven mileage reimbursements were reimbursed in excess of the mileage rate set by DFA, which resulted in an overpayment, totaling **\$88**; and
- Four travel reimbursements included **\$75** in taxes for lodging.

Inadequate controls surrounding travel reimbursements could result in the fraud, loss, or misappropriation of public funds and resulted in noncompliance with *Sections 25-3-41(1)* and *25-3-41(4)*.

Recommendation: We recommend the Hollandale School District ensure compliance by assuring all reimbursements for professional travel expenses are per state law and regulations.

District Response: HSD School Board will strengthen controls and ensure compliance with state law over travel expense reimbursements by making sure policies and procedures are revisited, updated and followed by employees. HSD will ensure staff are trained and updated on any changes made by DFA monthly.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Ad Valorem Escrow.

Applicable State Law: *Section 37-57-107, Mississippi Code Annotated (1972)*, states taxes levied for the School District purposes shall not exceed the aggregated receipts from those sources during any one of the immediately preceding two fiscal years.

Finding Detail: During the testing of the School District’s limitation of ad valorem taxes and homestead exemption reimbursements, the auditor noted the District received more ad valorem taxes and homestead exemptions reimbursements than the amount allowed by *Section 37-57-107*. The excess is due to the District not requesting ad valorem from the County and advertising the Tax Increase in the local newspaper, and receiving more tax revenue from the County than the District’s base amount.

Due to the inadequate calculations, controls, policies, and procedures, surrounding the escrow of the excess ad valorem and homestead tax revenue the District is in violation of *Section 37-57-107*. The excess collected during the 2020-2021 year totaled **\$35,433**.

Recommendation: We recommend the Hollandale School District ensure compliance by properly calculating the District’s ad valorem and homestead reimbursements, as required by state law. Also, the School District should escrow the excess noted, totaling **\$35,433**.

District’s Response: HSD staff will revisit as soon as possible.

Repeat Finding: No.

Finding 9: 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 our testing of the Statements of Economic Interest, the auditor noted one Board member did not file a Statements of Economic Interest before the 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 judgement being enrolled against the delinquent filer, as allowed by *Section 25-4-29(2)*.

Recommendation: We recommend the Hollandale School District ensure compliance by assuring all School Board members file the Statement of Economic Interest annually, no later than May 1st of each year that such officials holds office, regardless of the duration.

District’s Response: HSD will ensure compliance with activity fund cash, receipts and deposits by training and updating HSD staff on strengthening internal controls, updated and enforce policies and procedures to ensure receipts from all activity funds are safeguarded, properly recognized and recorded.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Appraisals.

Applicable State Law: *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 land leases, the auditor noted the District could not provide evidence of an appraisal for three out of 20 lease agreements; therefore, OSA could not verify if the Board appointed a competent appraiser one year before entering into the rental agreements.

Failure to appoint a competent appraiser resulted in noncompliance with *Section 29-3-65*.

Recommendation: We recommend the Hollandale School District ensures compliance by assuring an appraiser is appointed one year before entering a lease agreement, as required by state law.

District’s Response: The following action will be taken to improve the district’s compliance with Sixteenth Section: The Hollandale School District will ensure compliance with *Section 29-3-65, Mississippi Code Annotated (1972)* by appointing a land appraiser to ensure that all Sixteenth Section appraised as required by the state laws and regulations.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Law over Sixteenth Section Shared Township Revenue.

Applicable State Law: *Section 29-3-119, Mississippi Code Annotated (1972)*, states, “The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the “custodial school district”) shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district’s pro rata share of the available township, as determined from the lists of children prepared pursuant to *Section 29-3-121, Mississippi Code Annotated (1972)*, promptly after collecting such funds.”

Finding Detail: During the testing of the School District’s sixteenth section revenue, the auditor noted there was no revenue from sixteenth section funds shared with neighboring school district, Western Line School District, totaling **\$6,826**,

Failure to properly share sixteenth section revenue as the custodial school district could result in the misappropriation of public funds and resulted in noncompliance with *Section 29-3-119*.

Recommendation: We recommend the Hollandale School District ensure compliance by assuring all sixteenth section revenue is promptly shared with appropriate School Districts within its township, as required by state law.

District’s Response: The following action will be taken to improve the district’s compliance with state law over 16th Section Shared Townships: The Hollandale School District will reinforce policies and procedures to ensure all revenue is collected from shared sixteenth sections as required by *Section 29-3-119, Mississippi Code Annotated (1972)*.

Repeat Finding: No.

Finding 12: The School District Should Ensure Compliance with State Law over Obtaining and Maintaining Background Checks for New Hires.

Applicable State Law: *Section 37-19-17(2), 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 of Education 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 new hires.

Finding Detail: During the testing of the School District’s personnel files, the auditor noted the District did not obtain background checks for three out of 20 certified employees.

Failure to obtain background checks of all new hires could result in a wrongful hire of an individual and resulted in noncompliance with *Section 37-19-17(2)*.

Recommendation: We recommend the Hollandale School District ensure compliance by assuring criminal background checks are obtained and maintained in the personnel files of its employees, as required by state law.

District’s Response: HSD will ensure compliance over background checks by training HSD human resource staff on policies and procedures, obtain, maintain, and review all personnel files on current and new employees as required by state law

Repeat Finding: No.

Finding 13: 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:

- One retiree was paid more than the allowed salary by PERS, totaling **\$1,000**;
- Three Form 4Bs did not have evidence of the date of retirement;
- One retiree's retirement salary was not recorded on the PERS Form 4B; therefore, OSA could not determine if the retiree was overpaid; and
- One Form 4B was not properly completed with the retiree’s required information.

Failure to file and complete the 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 Hollandale School District ensure compliance by properly paying employees and completing PERS Form 4Bs, as required by state law.

District’s Response: HSD will ensure compliance with *Section 25-11-127(4)* and PERS by training HSD human resource staff on policies and procedures, properly paying employees, completing and filing all Form 4Bs within five days of rehiring.

Repeat Finding: No.

Finding 14: The School District Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *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 25-1-15(2), Mississippi Code Annotated (1972), states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.”

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.”

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), with sufficient surety.”

Finding Detail: During the review of the School District’s surety bonds, the auditor noted eight District employees’ bonds partially covered the positions for the fiscal year. The District did not provide the subsequent bonds covering the remainder of the year; therefore, the auditor could not verify that the positions were bonded for the entire 2021 fiscal year:

- Four Board members;
- Superintendent;
- One Purchase Agent; and
- Two Principals.

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 Hollandale School District ensure compliance by securing new bonds every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee as statutorily required.

District’s Response: The following action will be taken to improve the District’s compliance with surety bonds: The Hollandale School District will reinforce policies and procedures to guarantee all required employees have a valid surety bond as outline in *Section 37-6-15*. We will ensure that the bond will cover the complete terms.

Repeat Finding: No.

End of Report



HOLLANDALE SCHOOL DISTRICT

101 WEST WASHINGTON STREET
HOLLANDALE, MS 38748
DR. MARIO WILLIS, SUPERINTENDENT

COMPLIANCE REVIEW FINDINGS

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

April 14, 2023

Dear Mr. White:

The Hollandale School District is in receipt of the Office of State Auditor's Limited Internal Control and Compliance Review Management Report dated February 16, 2023. Please consider this letter as both the response to the audit and the required corrective action plan.

On behalf of the Hollandale School District Board of Education and administration, we would first like to thank the staff of the State Auditor's Office for their professionalism while conducting the audit. The staff was courteous and extremely helpful throughout the process.

Our response to the recommendations are as follows:

AUDIT FINDINGS:

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

Response: The following action will be taken to improve bank reconciliations: The Hollandale School District will reinforce policies and procedures to guarantee all financial exchanges are recorded properly within the general ledger and all variances from our book balances, and are accounted for in an opportune way. All bank statements will be reconciled within 30 days of receipt. Presentation of reconciled bank statements shall be made at the next regular board meeting after the bank statements are reconciled. Bank statements shall be reconciled to the district's general ledger cash balances in a timely, accurate manner.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: Hollandale School requires that all bank statements are reconciled with the general ledger cash balance on a monthly basis. These bank reconciliations are also presented at each board meeting for the board to review. The business manager ensures that bank statements are available to the district's financial consultant so that this process can take place. As of July 1, 2022, these procedures were put in place.

Finding 2: The School District Should Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits.

Response: Hollandale School District (HSD) will ensure compliance with Activity Fund Cash, Receipts and Deposits by training and updating HSD Staff on strengthening internal controls, update and enforce policies and procedures to ensure receipts from all activity funds are safeguarded, properly recognized, and recorded.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: All funds received for fundraisers are collected at the central office by the district secretary. In the event that funds are collected at the school, an activity sheet is filled out, by an administrator at the school, that includes the number of tickets that they received, the number of tickets that were sold, the cost of the tickets, and the amount of money collected. The funds are then receipted by the account receivable clerk at the district office. These activity sheets are kept in a binder by the business manager. These funds are deposited into the school's activity fund within 1 - 4 days due to bank holidays and weekends. As of July 1, 2022, these corrective actions were put in place..

Finding 3: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budget Preparation and Approval

Response: We recognize that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Hollandale School District. Hollandale School District ensures compliance with *Sections 37-61-19* by reinforcing controls of all funds. We will continue to have all expenditures approved and spread upon the Board minutes.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: Budgets are evaluated more intensely before being presented to the board. When budgeting for expenditures, the business manager and federal programs director ensure that there are enough funds available before allocating the funds for any expenditures. With these procedures in place, the fund balance for any federal funds are not projected to be negative. As of July 1, 2022, these corrective actions began to take place..

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Education Enhancement Fund Procurement Cards.

Response: The District will keep an accurate roster and sign-out sheet of the distribution EEF cards, as well as a completed Teacher Cardholder Agreement. The agreement will be mailed to the Mississippi Department of Education annually.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: Hollandale School District requires the business manager to keep all of the teachers' cardholder agreements in a folder. The cardholder agreements provide the cardholder's name, the number on card that is issued, and date that agreement was signed. As of July 1, 2022, this corrective action began to take place.

Finding 5: The School District Should Ensure Compliance with State Law over the Depository Bids.

Response: The school district will comply with *MS Code 37-7-333* by ensuring that all procedures for advertising, documenting bids, and developing minutes are completed by July 1st every three years.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: Hollandale School District properly accepted bids for depositories by July 1st of 2021, maintained, and recorded details of all depository bids and approvals within its minutes. As of fiscal year 2022, this corrective action was taken.

Finding 6: The School District Should Ensure Compliance with State Law over Purchases More Than \$5,000 But Not Over \$50,000

Response: The Hollandale School District will comply with all state and federal laws regarding purchasing and procurement. We follow policies and procedures to ensure quality products and serves and purchasing to provide the best value for the District. In addition, we will acquire the necessary quotes for purchases as outline in the state statues.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: All purchases that exceed \$5,000 but not over the state's limit are required to have a second quote attached to its requisition. The accounts payable clerk will not enter requisition into the financial system without a second quote being attached. As of July 2022, this corrective action began to take place..

Finding 7: The School District Should Ensure Compliance with State Law over Travel Expense Reimbursements

Response: HSD School Board will strengthen controls and ensure compliance with state law over travel expense reimbursements by making sure policies and procedures are revisited, updated and followed by employees. HSD will ensure staff are trained and updated on any changes made by DFA monthly.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken:

Reimbursements for travel are filled out by the requestor and viewed by the business manager for accuracy and compliance to DFA rates. After the travel reimbursement has been approved by the business manager and superintendent, the accounts payable clerk will release payments for the reimbursement. No taxes are paid on any purchases made with district credit cards. If an employee pays taxes on the district's credit card, that employee is required to pay those taxes. As of July 1, 2022, this corrective action began to take place.

Finding 8: The School District Should Ensure Compliance with State Law over Ad Valorem Escrow

Response: HSD staff will revisit as soon as possible.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: When calculating the ad valorem tax request for 2022- 2023, the excess funds received were noted as escrow. Hollandale School District also made sure to post notices in the newspaper about the ad valorem

tax request. This ad valorem tax worksheet was completed by the business manager and taken before the county's board of supervisors by the superintendent. This corrective action took place prior to having the ad valorem tax request approved for the FY23 school year.

Finding 9: The School District Should Ensure Compliance with State Law over Statements of Economic Interest

Response: HSD School Board will ensure compliance with state law over submitting timely state of economic interest annually.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: The board's secretary ensures that all of the board members file a statement of economic interest. This is done annually before May 1st of each year that board members hold office. This corrective action has been taken since July of 2022.

Finding 10: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Appraisals

Response: The following action will be taken to improve the district's compliance with Sixteenth Section: The Hollandale School District will ensure compliance with *Section 29-3-65, Mississippi Code Annotated (1972)* by appointing a land appraiser to ensure that all Sixteenth Section appraised as required by the state laws and regulations.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: The business manager contacts multiple land appraisers so the board can decide which to appoint to appraise 16th Section land one year prior to the lease expiring. The appraiser that is appointed gives the board his or her recommendation for the fair market rental amount. After this is done, the Board determines whether the amount is reasonable.

Finding 11: The School District Should Ensure Compliance with State Law over Sixteenth Section Shared Township Revenue

Response: We recommend the Hollandale School District ensure compliance by assuring all sixteenth section revenue is promptly shared with appropriate School Districts within its township, as required by state law.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: The business manager receives a count of how many students attend neighboring districts that reside on shared 16th. This count is used to determine the amount that is owed to the neighboring districts for shared 16th section land. This corrective action was put in place as of July 1, 2023.

Finding 12: The School District Should Ensure Compliance with State Law over Obtaining and Maintaining Background Checks for New Hires

Response: HSD will ensure compliance over background checks by training HSD human resource staff on policies and procedures, obtain, maintain, and review all personnel files on current and new employees as required by state law.

Corrective Action Plan: The following actions have been done in response to the aforesaid finding: All current district workers have successfully undergone background checks as of April 01, 2022. As of FY 2022, the personnel files have been checked and updated. All new hires are required to complete a background check. The Personnel Clerk is responsible for this corrective action plan. As of June 2022, this corrective action has already been put into practice.

Finding 13: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees

Response: HSD will ensure compliance with *Section 25-11-127(4)* and PERS by training HSD human resource staff on policies and procedures, properly paying employees, completing and filing all Form 4Bs within five days of rehiring.

Corrective Action Plan: To address the above-mentioned finding, the following steps have been taken : New employees are required to certify their PERS retirement status as part of the onboarding process. They must immediately submit the Form 4B if they are an active PERS retiree. The District's Payroll Department receives the Form 4B from the retiree, verifies the information, completes Form 4B in its entirety, and submits the finalized copy to PERS. The Form 4B must be completed and sent to PERS within five days of hiring any retiree. This corrective action plan is the responsibility of the payroll clerk. This corrective action has already been put into practice as of July 2022.

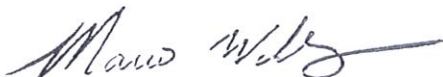
Finding 14: The School District Should Ensure Compliance with State Law over Surety Bonds

Response: The following action will be taken to improve the District's compliance with surety bonds: The Hollandale School District will reinforce policies and procedures to guarantee all required employees have a valid surety bond as outline in *Section 37-6-15*. We will ensure that the bond will cover the complete terms.

Corrective Action Plan: To address the above-mentioned finding, the following actions have been taken: All newly hired personnel who need surety bonds (principals, superintendents, etc.) now receive them as part of the new employee onboarding paperwork. For elected officials, such as board members, the surety bonds are completed as soon as they are sworn in. All new surety bonds are hand-delivered to the county office for filing, immediately. Effective July 2022, we now have a cycle in place for renewing surety bonds. Every year, renewal bonds are to expire on the same date, this step makes it easier to ensure that filing is completed timely and efficiently. The renewals are hand delivered to the county office for filing. The business manager is responsible for this corrective action plan. As of July 2022, this correction action has already been implemented.

In closing, I would like to once again thank the staff of the OSA for their assistance throughout the review. If you have any questions regarding our response, please feel free to contact me.

Respectfully,



Dr. Mario Willis
Superintendent