

LAFAYETTE 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

Lafayette County School District
100 Commodore Drive
Oxford, Mississippi 38655

Dear Members of the Lafayette County School Board:

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

1. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
2. Strengthen Internal Controls over Segregation of Duties Surrounding Cash Collections, Deposits, Journal Entries, and Bank Reconciliations;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Procedures;
4. Ensure Compliance with State Law over Travel Stipends;
5. Ensure Compliance with State Law over Purchasing Procedures;
6. Ensure Compliance with State Law over Notice of Tax Increase Publication and Ad Valorem Escrow;
7. Ensure Compliance with State Law over Certified Employees' Salaries Scales and Personnel Files;
8. Ensure Compliance with State Law over School Board Member Appointments;
9. Ensure Compliance with State Law over Unemployment Compensation Fund;
10. Ensure Compliance with State Law over Free Admissions and Mississippi High School Activities Association (MHSAA) State Passes;
11. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
12. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by **February 23, 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 Lafayette 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 **Lafayette 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 headings **SIGNIFICANT DEFICIENCIES**. We also noted 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.

We have identified surety bonds during audit procedures that are not noncompliant but are recommended to be considered for review. These recommendations are noted under the heading **OTHER RECOMMENDATIONS MADE BY THE OFFICE OF THE STATE AUDITOR**.

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.

School Board Policy, Section D, Fiscal Management, 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..."

Finding Detail: During the review of the School District's activity funds, the auditor noted the following exceptions out of 15 tested:

- Ten deposits were made four to seven days after being receipted;

- Thirteen varsity game collections could not be traced to the transmittals; and
- One count sheet was signed by the gatekeeper as the bookkeeper.

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

District's Response: The District will require activity fund receipts of revenue be deposited in a timely manner. The District Activity Funds will submit monthly transmittal reports as required by the MDE Accounting Manual for School Districts. The District will develop adequate separation of duties for event monies received.

Repeat Finding: No.

Finding 2: The School District Should Strengthen Internal Controls over Segregation of Duties Surrounding Cash Collections, Deposits, Journal Entries, and Bank Reconciliations.

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 the following exceptions:

- School bookkeepers collect cash, prepare deposit slips, take deposits to the bank, and enter transactions into the general ledger; and
- The Central Office's Executive Assistant takes deposits to the bank and reconciles the monthly bank statements.

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

Recommendation: We recommend the Lafayette School District strengthen internal controls by assuring there is proper segregation of duties surrounding cash collections, deposits, bank reconciliations, and journal entries.

District's Response: The District will develop adequate separation of duties whereby no particular employee performs functions that may create opportunities for errors and misappropriations.

Repeat Finding: No.

OTHER DEFICIENCY AND INSTANCE OF NONCOMPLIANCE WITH STATE LAW

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

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 Board of Education establish priorities for the

financial management of the District, review and approve all presented budgets, and assure 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...”

Section 37-61-9(3), Mississippi Code Annotated (1972), states, “...After final adoption of the budget, a synopsis of such budget in a form prescribed by the State Department of Audit shall be published in a newspaper having general circulation in the school district on a date different from the date on which the county or any municipality therein may publish its budget.”

Accounting Manual for School Districts, prescribed by the Mississippi Department of Education, states, “The original and amended budgets shall be signed and dated by the board president and secretary. Signed copies of all approved budgets must be filed for safekeeping and audit review.”

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

- The Board – approved original budget for fiscal year 2021 was not signed by both the Board President and Board Secretary;
- The original budget for fiscal year 2021 included the following six funds reflecting a negative fund balance at year-end:
 - Fund 2110 (School Food Service Fund) – **(\$36)**;
 - Fund 2213 (School Improvement Fund) – **(\$95,322)**;
 - Fund 2410 (EEF Building & Bus Fund) – **(\$95,687)**;
 - Fund 2610 (PL 94-142 Fund) – **(\$14,823)**;
 - Fund 3060 (Capital Projects Series 2004) – **(\$4,049,935)**;
 - Fund 4035 (2004 & 2005 Series 2013) – **(\$659,150)**; and
- The District failed to publish the synopsis of the original budget for fiscal year 2021.

The Board’s President and Secretary failure to sign the original budget resulted in the noncompliance with *Section 37-61-9*. The actual fund balances at June 30, 2021 were not negative; however, the approval of the fund budgets with ending deficit fund balances could result in a violation of state law.

Recommendation: We recommend the Lafayette County School District strengthen internal controls and ensure compliance by implementing sound 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. Furthermore, the District should ensure to publish the synopsis of the original budget and that the all budgets are signed by both the Board President and Secretary.

District’s Response: The District will assist the School Board by ensuring that it only adopts budgets that reflect sound financial management according to *Section 37-61-19*. The Statement of Revenues, Expenditures, and Changes in Fund Balance was provided using the “Report As” feature so as to be consistent with the District’s FETS submission, whereas the Final Amended Budget was approved using actual fund numbers. The District will begin publishing a synopsis of the original budget in the local newspaper.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Stipends.

Applicable State Law: *Section 25-3-41, Mississippi Code Annotated (1972)* and *Attorney General Opinion No. 94-0165* states, “Travel related expenses must be documented. This means invoices or similar support must be provided for reimbursements of expenses other than meals and travel by private motor vehicle, and all reimbursed expenses must be defined on a claim form similar to the Department of Finance and Administration’s form “Voucher for Reimbursement of Expenses Incident to Official Travel.”

Internal Revenue Service Code (IRC), Section 61, requires that monthly mileage allowance to certain employees is considered taxable wages to the employee when paid to them; the employer should withhold Social Security, Medicare, and income taxes, and pay employer share of these taxes.

School Board Policy, Section D, Policy DJD – Expense Reimbursements, states that all travel vouchers should be prepared in ink or typed and should be submitted at the end of the month. All vouchers must be signed by the employee.

Finding Detail: During the review of the School District’s travel reimbursements, the auditors noted the Superintendent was paid a monthly travel stipend in the amount of **\$200**; however, the District did not maintain travel vouchers or logged travel in his private vehicle to corroborate the stipend. This fringe benefit was paid through the District’s vendor payments and was not included within the Superintendent’s taxable income.

Failure to comply with the requirements of *Section 25-3-41* and *Attorney General Opinion No. 94-0165* resulted in an overpayment to the Superintendent during fiscal year 2021, totaling **\$2,400**.

Recommendation: We recommend the Lafayette County School District ensure compliance by assuring travel reimbursements are paid from actual claim vouchers, as required by state law.

District’s Response: Prior to test work performed by the Office of the State Auditor, the District had recognized that non-contractual stipends should not be permitted, as such, this payment is no longer distributed.

Repeat Finding: No.

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

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.”

Section 31-7-13(d)(i), Mississippi Code Annotated (1972), states, “Purchases may be made from the lowest and best bidder. In determining the lowest and best bid, freight and shipping charges shall be included. Life-cycle costing, total cost bids, warranties, guaranteed buy-back provisions and other relevant provisions may be included in the best bid calculation. All best bid procedures for state agencies must be in compliance with regulations established by the Department of Finance and Administration. If any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minute’s detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and

best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid. No agency or governing authority shall accept a bid based on items not included in the specifications.”

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.”

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

- The District did not obtain bids for three purchases, totaling **\$34,545**:
 - Varsity **\$ 5,301**;
 - Hotel & Restaurant Supply **\$11,728**;
 - Summit **\$17,516**;
- Three purchase orders were split, which circumvented purchase law, for the vendor, Varsity, for a purchase totaling **\$6,932**. The purchase order numbers were in sequential order and all had the same purchase dates;
- The School Board approved one vendor as an other-than-lowest bid; however, justification for the purchase was not spread across the Board minutes; and
- One purchase did not have quotes that were comparable based on quantity or size specifications.

Failure to follow purchasing law could result in fraud or misappropriation of public monies and resulted in the District’s noncompliance with state law.

Recommendation: We recommend the Lafayette County School District ensure compliance by assuring all purchases follow the specifications outlined in state purchase law.

District’s Response: For all exceptions presented, the District will take necessary steps to ensure compliance with §31-7-13 by collecting competitive bids for purchases greater than \$5,000. The District will present justification to the Board for accepting bids that are other-than-lowest.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Notice of Tax Increase Publication and Ad Valorem Escrow.

Applicable State Law: *Section 27-39-207(2)(a), Mississippi Code Annotated (1972)*, states, “...The newspapers selected shall be one of general interest, readership and circulation in all areas of the community. The advertisement shall be published one each week for the two-week period preceding the adoption of the final budget...”

Section 27-39-207(2)(b), Mississippi Code Annotated (1972), provides that: “Except as provided for in subsection (1) of this section, if a school district is requesting an increase in ad valorem tax effort in dollars pursuant to *Sections 37-57-105` and 37-57-107*, it shall be written in the requisite form.”

Section 37-57-105(3), Mississippi Code Annotated (1972), states, “The aggregate receipts from ad valorem taxes levied for school district purposes, excluding collection fees, pursuant to this section and *Section 37-57-1* shall be subject to the increased limitation under *Section 37-57-107*; however, if the ad valorem tax effort in dollars requested by the school district for the fiscal year exceeds the next preceding fiscal year’s ad valorem tax effort in dollars by more than four percent (4%) but not more than seven percent (7%), then the school board shall publish notice thereof once each week for at least three (3) consecutive weeks in a newspaper having general circulation in the school district involved, with the first publication thereof to be made not less than fifteen (15) days prior to the final adoption of the budget by the school board.”

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 the School District’s ad valorem tax request, the auditor noted the following exceptions:

- 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 and the advertisement for ad valorem taxes was ran for only one week instead of two weeks. The District did not calculate an escrow; however, the District’s escrow could have been resulted in a **\$555,145** escrow; and
- The District’s advertisement for Proposed Ad Valorem Tax Effort had a **\$67,000** discrepancy between the ad valorem request submitted to the levying authority.

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 *Mississippi Code Sections 27-39-207(2)(a), 27-39-207(b), 37-57-105(3), and 37-57-107(3)*.

Recommendation: We recommend the Lafayette County School District ensure compliance by implementing adequate policies and procedures to ensure its ad valorem tax request advertisement is as required by state law. Also, the School District should ensure that the tax amount requested is the same as published.

District’s Response: The District will comply with §37-57-107 by advertising at least once per week in a two-week period preceding the budget adoption. The estimated assessed valuation of local property changed after the advertisement was published. The District will take measures to present a more accurate estimate in the future.

Repeat Finding: Yes; 2020-1.

Finding 7: The School District Should Ensure Compliance with State Law over Certified Employees’ Salaries Scales and Personnel Files.

Applicable State Law: *Section 37-9-23, Mississippi Code Annotated (1972)*, states, “The superintendent shall enter into a contract with each assistant superintendent, principal, licensed employee and person anticipating graduation from an

approved teacher education program or the issuance of a proper license before October 15 or February 15, as the case may be, who is elected and approved for employment by the school board. Such contracts shall be in such form as shall be prescribed by the State Board of Education and shall be executed in duplicate with one (1) copy to be retained by the appropriate superintendent and one (1) copy to be retained by the principal, licensed employee or person recommended for a licensed position contracted with. The contract shall show the name of the district, the length of the school term, the position held (whether an assistant superintendent, principal or licensed employee), the scholastic years which it covers, the total amount of the annual salary and how same is payable...If any superintendent, other than those elected, principal, licensed employee or person recommended for a licensed position who has been elected and approved shall not execute and return the contract within ten (10) days after same has been tendered to him for execution, then, at the option of the school board, the election of the licensed employee and the contract tendered to him shall be void and of no effect.”

Mississippi Attorney General Opinion 1984 WL 247596 and Section 37-9-43, Mississippi Code Annotated (1972), states, “It shall be unlawful for a superintendent, principal, or teacher to be paid for any services as such until a written contract has been executed as is provided and required by this chapter. If any county superintendent or municipal separate school district superintendent shall make any such payment prior to the execution of the contract he shall be civilly liable for the amount thereof, and, in addition, the county superintendent shall be liable upon his bond. Therefore, it is our opinion that since teachers can only be paid pursuant to the written contract, they could not, under the circumstances you describe, receive pay for extra work which is not a part of their contract with the school District.”

Section 37-19-7, Mississippi Code Annotated (1972), states, “The allowance in the Mississippi Adequate Education Program for teachers’ salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers’ salaries as provided in this subsection.”

Finding Detail: During the review of the School District’s personnel files, the auditor noted the following exceptions out of 15 tested:

- Fifteen certified teachers were paid School Recognition Program supplements prior to their supplemental contracts being signed;
- Three certified teachers “years of experience” and “teaching experience” listed on the its Mississippi Student Information System (MSIS) Certified Employees Report did not match their actual verified experience;
- Two certified teachers’ salaries did not agree to the Board – approved salary scales;
- The Board approved the Head Coach’s contract for 240 days; however, he was paid for 187 days;
- The Board approved an employee stipend in October 2020; however, the employee attended the professional training in July 2020; and
- One personnel file did not include the educator’s certification.

Failure to have a written contract properly executed, and to make payment to a licensed employee prior to the execution of that contract shall make the Superintendent civilly liable for the amount thereof, and in addition shall be liable upon his bond. Also, failure to ensure salaries were paid per the appropriate salary scales resulted in the District both overpaying and underpaying certified employees.

Recommendation: We recommend the Lafayette County School District ensure compliance by assuring that proper documentation is maintained within its personnel files, prior years of experience are properly verified, and that the MSIS report is accurately completed. Additionally, the School District should ensure all salaries are paid according to the contracts approved by the Board, contracts are properly calculated according to the Mississippi Adequate Education Program scale, and that payments are not made until the contracts have been properly executed, as required by state law.

District’s Response: The District will develop procedures to maintain adequate personnel records; specifically, certificates will be printed from the MDE’s website and placed in the teachers file folders. The District will collect signed contracts

prior to payment of School Recognition Supplements. The District will review all contracts for necessary corrections and develop best practices for employment contracts that are compliant with *Section 37-19-7*. The District will seek Board Approval prior to paying stipends. The District will ensure that MSIS Reports for years of experience match actual teaching experience.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Board Member Appointments.

Applicable State Law: *Section 37-5-19, Mississippi Code Annotated (1972)*, states, “Vacancies in the membership of the county board of education shall be filled by appointment, within sixty (60) days after the vacancy occurs, by the remaining members of the county board of education. Said appointee shall be selected from the qualified electors of the district in which the vacancy occurs, and shall serve until the first Monday of January next succeeding the next general election, at which general election a member shall be elected to fill the remainder of the unexpired term in the same manner and with the same qualifications applicable to the election of a member for the full term. In the event the school district is under conservatorship and no members of the county board of education remain in office, the Governor shall call a special election to fill the vacancies and said election will be conducted by the county election commission.

In the event the vacancy occurs more than five (5) months prior to the next general election and the remaining members of the county board of education are unable to agree upon an individual to be appointed, any two (2) of the remaining members may certify such disagreement to the county election commission. Upon the receipt of such a certificate by the county election commission, or any member thereof, the commission shall hold a special election to fill the vacancy, which said election, notice thereof and ballot shall be controlled by the laws concerning special elections to fill vacancies in county or county district offices. The person elected at such a special election shall serve for the remainder of the unexpired term.”

Finding Detail: During the review of the School District’s Board appointments, the auditor noted an interim Board member was not appointed to fill a vacant position until the next election.

Failure to fill the vacant position within 60 days after the vacancy resulted in noncompliance with state law.

Recommendation: We recommend the Lafayette County School District ensure compliance by filling vacant Board members positions within 60 days after the vacancy occurs, as required by *Section 37-5-19*.

District’s Response: While *Mississippi Code Annotated § 37-5-19* directs that vacancies should be filled within sixty days after the vacancy occurs, the Office of the *Mississippi Attorney General stated in Opinion No. 2009-00694* that the statute's timeline is not mandatory and is "merely directory." The School Board advertised for applicants to fill the vacancy left by Board Member’s resignation. The School Board held special called meetings to review the applications and interview candidates. Following multiple interviews, the School Board was unable to reach a decision to select an appointee among the candidates. After consultation with the Lafayette County Circuit Clerk regarding a special election, the School Board opted to allow voters of District 1 to make the decision rather than appointing a board member to serve for such a short time and to avoid the appearance of any impropriety by providing any potential candidate a perceived advantage as an incumbent. Current Board Member was elected in November 2020 and immediately approved as District 1 Board Member and sworn into office at the beginning of the December 7, 2020 School Board meeting.

Auditor’s Note: Although the *Mississippi Attorney General Opinion 2009-00694*, states that the sixty day period is directory, it also states, “Failure to make the appointment within that time period does not relieve the remaining member of the Board from the mandatory requirement to make an appointment. Therefore, the appointment must be made as soon as possible without further delay.” The School Board Member resigned in December 2019 which led to District One not

having representation for more than 11 months. According to the District's response, the School Board chose to not fill the appointment but wait until the election which does not comply with *Section 37-5-19* nor *AG Opinion 2009-00694*.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Unemployment Compensation Fund.

Applicable State Law: *Section 71-5-359(5), Mississippi Code Annotated (1972)*, states, "Each political subdivision, unless it elects to make contributions to the unemployment compensation fund as provided in subsection (9) of this section, shall establish a revolving fund and deposit an amount equal to two percent (2%) of the first Six Thousand Dollars (\$6,000.00) paid to each employee thereof during the next preceding year. However, the department shall by regulation establish a procedure to allow reimbursing political subdivisions to elect to maintain the balance in the revolving fund as required under this paragraph or to annually execute a surety bond to be approved by the department in an amount not less than two percent (2%) of the covered wages paid during the next preceding year."

Finding Detail: During the review of the School District's Unemployment Compensation Fund, the auditor noted the District had insufficient funds in its Unemployment Compensation Fund, totaling **\$31,115**.

Failure to have sufficient funds in the Unemployment Compensation Fund could result in insufficient funds if those funds were needed and resulted in noncompliance with *Section 71-5-359(5), Mississippi Code Annotated (1972)*.

Recommendation: We recommend the Lafayette County School District ensure compliance by assuring sufficient funds are maintained in its Unemployment Compensation Fund.

District's Response: The District will increase the cash balance of the Unemployment Compensation Fund as required by *§71-5-359(5)*.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Free Admission to School – Sponsored Events and the Purchase of Mississippi High School Activity Association (MHSAA) State Passes.

Applicable State Law: *Mississippi Attorney General Opinion No. 2005-0039*, states, "The Constitution of the State of Mississippi Article 4, Section 96, states, "The legislature shall never grant extra compensation, 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... by the foregoing constitutional provision and prior opinions, the free admission ... to sporting and social events would not be permissible."

Finding Detail: During the review of the School District's activity funds, the auditor noted the following exceptions:

- The District allowed free entry to all sporting events for the District employees and their spouses; however, the School District does not have an approved Board policy relating to free admission for its employees; and
- The District purchased state passes from the Mississippi High School Activities Association (MHSAA) for the following eight District employees, totaling **\$240**:
 - Four Board members;
 - Business Manager;
 - One Director;

- One Administrator; and
- One Teacher.

Failure to have a Board – approved policy that states the benefit of allowing its personnel free admission or requiring the attendance of personnel to school – sponsored events could result in an illegal donation. Additionally, failure to be reimbursed for the purchase of MHSAA statewide passes for District employees other than the Coaches, Game Administrators, Superintendent, Athletic Director, and High School Principals could result in an illegal donation.

Recommendation: We recommend the Lafayette County School District ensure compliance by implementing policies in regards to the free admissions and the payment of MHSAA statewide passes of its personnel only to school – sponsored events to avoid making an illegal donation to public servants.

District's Response: The District will no longer permit free admission to sporting events unless an employee of the District is acting in in the performance of their job duties.

Repeat Finding: No.

Finding 11: 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.”

Section 25-11-127(1)(a), Mississippi Code Annotated (1972), states, “No person who is being paid a retirement allowance or a pension after retirement under this article shall be employed or paid for any service by the State of Mississippi, including services as an employee, contract worker, contractual employee or independent contractor, until the retired person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement. After the person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement or such later date as established by the board, he or she may be reemployed while being paid a retirement allowance under the terms and conditions provided in this section.”

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 days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of \$300 penalty per occurrence payable by the employer.”

Finding Detail: During the review of the School District's PERS Form 4Bs, the auditor noted the following exceptions out of 20 tested:

- Nineteen Form 4Bs did not have evidence of being filed with PERS;
- One retiree was rehired before 90 days after retirement;
- One Form 4B did not have evidence of the retiree's rehire date; and
- One Form 4B did not have evidence of the retirement date; therefore, auditors could not determine if the retiree was rehired 90 days after retirement.

Failure to file the Form 4B, as required by PERS, and comply with *Section 25-11-127(4)* could result in overpayment of retiree and the School District being assessed penalties by PERS.

Recommendation: We recommend the Lafayette County School District ensure compliance by properly paying employees, completing, and filing PERS Form 4Bs, as required by state law and regulations.

District's Response: The District will ensure PERS Form 4Bs are submitted within five days of reemployment. The District will monitor the reemployment of retirees to ensure applicable waiting periods are sufficient.

Repeat Finding: Yes; 2020-2.

Finding 12: 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), with sufficient surety."

School Board Policy, Section D, Fiscal Management: Policy Code DJEA, Purchasing Authority, provides that the Purchasing Agent shall mean Superintendent.

Finding Detail: During the review of the School District's surety bonds, the auditor noted the Superintendent was not bonded as a Purchasing Agent, as designated within the District's Board Policy.

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 Lafayette County School District ensure compliance by securing the proper bonds for employees designated as Purchasing Agents, as required by its Board policy and state law.

District's Response: The current Superintendent of Education is adequately bonded as both Purchasing Agent and Superintendent. The District will review surety bonds and correct any continuation certificates.

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: During our test work, we noted one Principal and Accounts Payable Clerk 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



Lafayette County School District

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Mr. Jay Foster
Superintendent

March 10, 2023

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

Dear Mr. White:

Please accept the following responses to the Corrective Action Plan associated with the June 30, 2021 Compliance Report issued by your office.

AUDIT FINDINGS

Finding 1: The School District Should Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits.

Response: The District will require activity fund receipts of revenue be deposited in a timely manner. The District Activity Funds will submit monthly transmittal reports as required by the MDE Accounting Manual for School Districts. The District will develop adequate separation of duties for event monies received.

Corrective Action Plan:

- A. The District has instructed the Athletic Director, all bookkeepers, and other personnel involved with activity events regarding timely deposits and adequate separation of duties. The requirement of correctly completed event sheets has been communicated the District's expectations have been emphasized. Additionally, the submission of monthly transmittal reports have been enforced.
- B. Bryan White, CPA
- C. Immediately.
- D. Corrective action needed.

Finding 2: The School District Should Strengthen Internal Controls over Segregation of Duties Surrounding Cash Collections, Deposits, Journal Entries, and Bank Reconciliations.

Response: The District will develop adequate separation of duties whereby no particular employee performs functions that may create opportunities for errors and misappropriations.

Corrective Action Plan:

- A. The school bookkeepers are no longer permitted to collect cash and take deposits to the bank. The Central Office Executive Assistant no longer takes deposits to the bank.
- B. Bryan White, CPA
- C. Immediately.
- D. Corrective action needed.

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

Response: The District will assist the School Board by ensuring that it only adopts budgets that reflect sound financial management according to Section 37-61-19. The Statement of Revenues, Expenditures, and Changes in Fund Balance was provided using the "Report As" feature so as to be consistent with the District's FETS submission, whereas the Final Amended Budget was approved using actual fund numbers. The District will begin publishing a synopsis of the original budget in the local newspaper.

Corrective Action Plan:

- A. The District has assisted the board adopt budgets that do not result in a negative fund balance and signed by the appropriate officers. The District will also publish a synopsis of the adopted budget as required by statute.
- B. Bryan White, CPA
- C. Immediately
- D. Corrective action needed.

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Stipends.

Response: Prior to test work performed by the Office of the State Auditor, the District had recognized that non-contractual stipends should not be permitted, as such, this payment is no longer distributed.

Corrective Action Plan

- A. The District no longer permits travel stipends to be paid.
- B. Bryan White, CPA
- C. Immediately.
- D. Corrective action needed.

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

Response: For all exceptions presented, the District will take necessary steps to ensure compliance with §31-7-13 by collecting competitive bids for purchases greater than \$5,000. The District will present justification to the Board for accepting bids that are other-than-lowest.

Corrective Action Plan:

- A. Employees in the purchasing process have been informed of compliance statutes, requirements, and sound business practices and the correct actions to take when necessary. Criteria provided in §31-7-13 of the Mississippi Code are followed by requiring competitive, comparable bids; avoiding the circumvention of this statute; and following procedures when awarding a contract to the bid which is not the lowest.
- B. Bryan White, CPA
- C. Immediately.
- D. Corrective action needed.

Finding 6: The School District Should Ensure Compliance with State Law over Notice of Tax Increase Publication and Ad Valorem Escrow.

Response: The District will comply with §37-57-107 by advertising at least once per week in a two-week period preceding the budget adoption. The estimated assessed valuation of local property changed after the advertisement was published The District will take measures to present a more accurate estimate in the future.

Corrective Action Plan:

- A. The District will advertise in the manner set forth by the given statute.
- B. Bryan White, CPA
- C. Immediately.
- D. Corrective action needed.

Finding 7: The School District Should Ensure Compliance with State Law over Certified Employees' Salaries Scales and Personnel Files.

Response: The District will develop procedures to maintain adequate personnel records; specifically, certificates will be printed from the MDE's website and placed in the teachers file folders. The District will collect signed contracts prior to payment of School Recognition Supplements. The District will review all contracts for necessary corrections and develop best practices for employment contracts that are compliant with Section 37-19-7. The District will seek Board approval prior to paying stipends. The District will ensure that MSIS Reports for years of experience match actual teaching experience.

Corrective Action Plan:

- A. The District has developed procedures consistent with the response above.
- B. Bryan White, CPA.
- C. Immediately.
- D. Corrective action needed.

Finding 8: The School District Should Ensure Compliance with State Law over Board Member Appointments.

Response: While Mississippi Code Annotated § 37-5-19 directs that vacancies should be filled within sixty days after the vacancy occurs, the Office of the Mississippi Attorney General stated in Opinion No. 2009-00694 that the statute's timeline is not mandatory and is "merely directory." The School Board advertised for applicants to fill the vacancy left by Board Member's resignation. The School Board held

special called meetings to review the applications and interview candidates. Following multiple interviews, the School Board was unable to reach a decision to select an appointee among the candidates. After consultation with the Lafayette County Circuit Clerk regarding a special election, the School Board opted to allow voters of District 1 to make the decision rather than appointing a board member to serve for such a short time and to avoid the appearance of any impropriety by providing any potential candidate a perceived advantage as an incumbent. Current Board Member was elected in November 2020 and immediately approved as District 1 Board Member and sworn into office at the beginning of the December 7, 2020 School Board meeting.

Corrective Action Plan:

- A. Upon legal advice from District counsel, our position with respect to the referenced AG Opinion remains as indicated in the response.
- B. Shea Scott, Board Attorney
- C. Immediately.
- D. As previously stated in Item A, the District's position remains as indicated in the response.

Finding 9: The School District Should Ensure Compliance with State Law over Unemployment Compensation Fund.

Response: The District will increase the cash balance of the Unemployment Compensation Fund as required by §71-5-359(5).

Corrective Action Plan:

- A. The District will evaluate the balance of the Unemployment Compensation Fund at least annually to determine whether the balance is adequate.
- B. Bryan White, CPA
- C. Immediately.
- D. Corrective action needed.

Finding 10: The School District Should Ensure Compliance with State Law over Free Admission to School – Sponsored Events and the Purchase of Mississippi High School Activity Association (MHSAA) Passes.

Response: The District will no longer permit free admission to sporting events unless an employee of the District is acting in the performance of their job duties.

Corrective Action Plan:

- A. The District only allows free admission to employees if acting in the performance of their duties. Statewide passes are only provided to administrators that are required to attend in accordance with their job responsibilities.
- B. Bryan White, CPA
- C. Immediately.
- D. Corrective action needed.

Finding 11: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Response: The District will ensure PERS Form 4Bs are submitted within five days of reemployment. The District will monitor the reemployment of retirees to ensure applicable waiting periods are sufficient.

Corrective Action Plan:

- A. The District has taken action to maintain compliance as referenced in the response.
- B. Bryan White, CPA
- C. Immediately.
- D. Corrective action needed.

Finding 12: The School District Should Ensure Compliance with State Law over Surety Bonds.

Response: The current Superintendent of Education is adequately bonded as both Purchasing Agent and Superintendent. The District will review surety bonds and correct any continuation certificates.

Corrective Action Plan:

- A. The District makes efforts to ensure security bonds are reviewed and correct any that are continuation certificates.
- B. Bryan White, CPA
- C. Immediately.
- D. Corrective action needed.

Signed,



Jay Foster

Superintendent of Education