

LINCOLN COUNTY 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



*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age, or disability.*



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

March 2, 2023

Limited Internal Control and Compliance Review Management Report

Lincoln County School District
233 East Monticello Street
Brookhaven, MS 39601

Members of the Lincoln County School Board:

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

1. Strengthen Internal Controls of Bank Reconciliations and the Financial Presentation and Reporting of Investments;
2. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
3. Ensure Compliance with State Law over Nepotism;
4. Ensure Compliance with State Law over Ethics;
5. Ensure Compliance with State Law over the Approval of Depositories;
6. Ensure Compliance with State Law over Public Depositor's Annual Report;
7. Ensure Compliance with State Law over Sixteenth Section Lease Taxes and Appraisals;
8. Ensure Compliance with State Law over Sixteenth Section Shared Revenues;
9. Ensure Compliance with State Law over Statement of Economic Interest;
10. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
11. Ensure Compliance with State Law over the Filing of Surety Bonds.

Please review the recommendations and submit a plan to implement them by March 16, 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 Lincoln 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 **Lincoln 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 *material weakness*. These matters are noted under the heading **MATERIAL WEAKNESS**. 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 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**.

MATERIAL WEAKNESS

Finding 1: The School District Should Strengthen Internal Controls over Bank Reconciliations and the Financial Presentation and Reporting of Investments.

Internal Control Deficiency: Management is responsible for the preparation and fair presentation of the District's financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Mississippi State Board of Education Manual, Section H, Prescribed Coding System, states, "All school districts shall utilize the prescribed coding system as detailed in Section H, I, J, L, and M of this manual. This coding system must be uniformly complied with in order to meet objective of the Mississippi Department of Education. This coding system will also provide financial comparability among school districts."

Mississippi Department of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board, states, "...Presentation of reconciled bank statements should be made at the next regular board meeting after the bank statements are reconciled to the District's general ledger cash balances in a timely and accurate manner."

Finding Detail: During the testing of the School District's bank reconciliations, the auditor noted the following exceptions:

- One bank account was not properly reconciled to the District's general ledger's cash balance due to the classification of the certificate of deposit within the District's general ledger, resulting in difference totaling **(\$3,000,000)**; and

- One certificate of deposit (CD), totaling **\$3,000,000**, was reported in the District's general ledger as cash rather than being reported as an investment. The maturity date on the certificate of deposit was beyond 90 days; therefore, the cash balance was overstated and the investment was understated at 6/30/21.

Failure to record funds within the District's general ledger according to the designated object code prescribed by the *Mississippi Department of Education Accounting Manual* resulted in the bank statements not being properly reconciled and could result in errors, misstatement of the District's financial statements, or fraud occurring without being detected in a timely manner.

Recommendation: We recommend the Lincoln County School District strengthen internal controls by implementing policies and procedures to ensure all bank statements are reconciled accurately and properly to the District's general ledger. Also, we recommend the District record all funds in accordance with the *Accounting Manual* and follow the accounting principles generally accepted by the United States.

District's Response: The District under the guidance of previous auditors and accounting manual provided to us by the Mississippi Department of Education which states "Investments – Securities (except bank demand deposits and certificate of deposits) held for the production of revenues in the form of interest and dividends" and because these Certificates of Deposits are available to the District with the payment of a penalty at any time has always classified them as cash. In the future, if OSA wants them classified as an investment, we will do so.

Auditor's Note: Per review of the District's 2020 audit report, the CPA firm that completed the District's external audit classified all certificates of deposits in their report as investments; therefore, the investments should be noted within the District's general ledger, trial balances, and financial statements. According to Generally Accepted Accounting Principles (GAAP), any certificate of deposit should be classified as an investment if the maturity date is in excess of 90 days. According to the object codes within the *Accounting Manual*, this certificate of deposit mentioned in these finding should be classified as an investment and not as cash.

Repeat Finding: No.

SIGNIFICANT DEFICIENCY

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

Finding Detail: During the testing of the School District's activity fund deposits and receipts, the auditor noted the following exceptions out 55 tested:

- Five count sheets did not have evidence of beginning and/or ending ticket numbers; therefore, the auditor was unable to determine the number of tickets sold;
- 15 game deposits were between four to 18 business days after monies were receipted; and
- There was a net overage of **\$99** between deposits and ticket sales for home varsity football and basketball games.

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

District's Response: The District will strengthen its controls and monitor activity fund procedures to ensure a better job is done safeguarding activity fund revenue.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

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

Applicable State Law: *Section 37-9-21, Mississippi Code Annotated (1972)*, states, "It shall be illegal for any superintendent, principal or other licensed employee to be elected by the school board if such superintendent, principal or licensed employee is related within the third degree by blood or marriage according to the common law to a majority of the members of the school board. No member of the school board shall vote for any person as a superintendent, principal or licensed employee who is related to him within the third degree by blood or marriage or who is dependent upon him in a financial way. Any contract entered into in violation of the provisions of this section shall be null and void."

Finding Detail: During the review of the School District's related parties questionnaires and Board minutes, the auditor noted that one Board member did not recuse themselves during the hiring/reappointment of two certified teachers, who were their son-in-law and first cousin.

Failure to have the Board member recuse themselves during the appointment of relatives within the third degree resulted in the violation of *Section 37-9-21, Mississippi Code Annotated (1972)*.

Recommendation: We recommend the Lincoln County School District ensure compliance over nepotism by ensuring Board members recuse themselves in matters related to relatives within the third degree, as required by state law.

District's Response: The Lincoln County School District will work to ensure that Board members recuse themselves when relatives are hired for any position.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Law over Ethics Recommendations and Supervision of Relatives.

Applicable State Law: *Section 25-4-105(1), Mississippi Code Annotated (1972)*, states, "No public servant shall use his official position to obtain, or attempt to obtain, pecuniary benefit for himself other than that compensation provided for by law, or to obtain, or attempt to obtain, pecuniary benefit for any relative or any business with which he is associated."

Section 37-9-17(1), Mississippi Code Annotated (1972), states, "The school board of any local school district shall be authorized to designate a personnel supervisor or another principal employed by the school district to recommend to the superintendent licensed employees or non-instructional employees; however, this authorization shall be restricted to no more than two (2) positions for each employment period for each school in the local school district. Any non-instructional employee employed upon the recommendation of a personnel supervisor or another principal employed by the local school district must have been employed by the local school district at the time the superintendent was elected or appointed to office; a non-instructional employee employed under this authorization may not be paid compensation in excess of the statewide average compensation for such non-instructional position with comparable experience, as established by the State Department of Education."

Mississippi Ethics Opinion 10-077-E, requires the school Board designate someone other than the Principal to make the employment recommendations of a spouse or child.

Mississippi Ethics Opinion 19-014-E, states that no employee should work under the direct supervision of his or her relative, this would be a violation of *Section 25-4-105(1), Mississippi Code Annotated (1972)*

Finding Detail: During the review of the School District's related party questionnaires, the auditor noted the following exceptions:

- Two Principals recommended their spouses and one of their children to the Superintendent for rehire for the 2021 school year; and
- Three Principals have direct supervision over their spouses and one of their children.

Failure to ensure the Principals did not recommend or supervise relatives within the first degree resulted in the violation of *Mississippi Ethics Opinions 10-077-E, 19-014-E* and *Mississippi Code Sections 25-4-105(1) and 37-9-17(1)*. This finding has been sent to the Mississippi Ethics Commission.

Recommendation: We recommend the Lincoln County School District ensure compliance with *Mississippi Ethics Opinion 10-077-E, 19-014-E* and *Mississippi Code Sections 25-4-105(1) and 37-9-17(1)*.

District's Response: In the future, the Lincoln County School Board of Education will appoint a designee to recommend up to two related parties at each campus.

Auditor's Note: As stated above, not only is it a violation of Ethics for the Principals to recommend relatives within the first degree, but the District should not allow the Principals to supervise relatives within the first degree.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Law over the Approval of Depositories.

Applicable State Law: *Section 37-7-333, Mississippi Code Annotated (1972)*, requires all public funds to be placed in the depository or depositories selected by the School Board in the same manner as provided in *Section 27-105-305, Mississippi Code Annotated (1972)* for the selection of county depositories. *Section 37-7-333, Mississippi Code Annotated (1972)*, also requires the bids of the financial institutions keeping school funds be effective on July 1st of each year. Further, School Boards are allowed to advertise and accept bids for depositories, not less than once every three (3) years, when the School Board determines that it can obtain a more favorable rate of interest and less administrative processing.

Finding Detail: During the review of School District's depository bids, the auditor noted that on May 21, 2018, the School Board approved its depositories with Bank of Brookhaven, First National Bank and Trustmark, but did not include the approval of Pike National Bank, where the District has an open bank account.

Due to inadequate internal controls surrounding its depositories, the District is in noncompliance with state law.

Recommendation: We recommend the Lincoln County School District ensure compliance over depositories, by approving all bank accounts within the District's tax identification number by July 1st, no less than every three years, as required by state law.

District's Response: The Lincoln County School District does not concur with this finding. On June 2nd, 2021, the School Board met and approved Pike National Bank as a valid depository for the three-year period beginning July 1st, 2021. The bank that the School District used during the prior period sent a letter requesting we move the funds as soon as possible and

they were not interested in bidding and could no longer handle our deposits. Pike National set-up the bank accounts the District would need beginning in July, which generated bank statements with a zero balance for June. We neither signed any document with Pike National Bank nor made any deposits with them until July 1st, 2021. It is our position that in order to be a depository the bank would have had to have our deposits.

Auditor's Note: The School Board approved a depository contract with Pike National Bank that covers the opening of bank accounts at this depository for fiscal year 2022, which was spread upon its Board minutes. Pike National Bank was not approved to contract with Pike with for fiscal year 2021. The bank nor any other persons should have the control to open any bank accounts with the District's tax identification number without Board approval. Not having funds within the bank accounts does not negate the state law that requires School District bank accounts to be with an authorized depository. It is the ultimate responsibility of the School Board to be stewards of the public funds.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over the Reconciliations of the Public Depositor's Annual Report.

Applicable State Law: *Section 27-105-5(6) (b), Mississippi Code Annotated (1972)*, states, "Not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end."

Finding Detail: During the review of the School District's 2021 Public Depositor Annual Report, the auditor noted the June 30, 2021 bank balances on four bank accounts were not properly and accurately reported to the State Treasurer's Office resulting in a difference totaling **\$34,632**:

- Construction Bank Account - **\$23,184**;
- 16th Section Forestry Escrow Bank Account - **\$499**;
- 16th Section Interest Bank Account - **\$3,664**; and
- 16th Section Principal Shared Bank Account - **\$7,286**.

Failure to submit the Public Depositor Annual Report accurately and in a timely manner could result in the State Treasurer's Office having inaccurate records and increase the risk that the District's total deposits may not be properly collateralized.

Recommendation: We recommend the Lincoln County School District ensure compliance by assuring the Public Depositor Annual Report is submitted accurately to the State Treasurer's Office within 30 days of fiscal year, as required by state law.

District's Response: The difference in the annual depositors report and bank accounts is capitalized interest in ICS (Sweep) accounts. These funds were not sent to our account until the following month. The District contacted the Mississippi State Treasurer's Office while preparing the annual depositors report and we concluded that the capitalized interest in the ICS account was not in the District's custody until the following period and therefore did not belong on the report. The banks that the District are currently using do not utilize cash sweeps so this is no longer an issue. In the future, if there is a need for cash sweeps we will include those amounts on the depository report.

Auditor's Note: The Annual Depository Report is a listing of the District's bank accounts at fiscal year-end. The District has 30 days after June 30th to submit this report to the Mississippi State Treasurer's office. The bank statements should have been received by the District before those 30 days; therefore, the District should have known their June 30th balances on all of its bank accounts within its tax identification number that were reported to the Mississippi State Treasurer's office.

Repeat Finding: No.

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

Applicable State Law: *Section 27-35-71, Mississippi Code Annotated (1972)*, states, “Sixteenth section lands reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be liable, after the same shall have been leased, to be taxes as other lands are taxed during the continuance of the lease, but in case of sale thereof for taxes, only the title of the lessee or his heirs or assigns shall pass by the sale.” In addition, the standard lease agreement used by the district between the lessee and lessor states, “Lessee shall pay all taxes levied, if any, on said property on time to prevent default.”

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 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*.” Additionally, management is responsible for ensuring adequate internal controls over the collections for sixteenth section lease revenue.

Finding Detail: During the review of the School District’s sixteenth section leases, the auditor noted the following exceptions out of 20 leases tested:

- Four leases have delinquent taxes totaling **\$985**; however, the lease agreements were not cancelled;
- Five appraisals were not obtained one year before the rental of sixteenth section land; and
- Three lease agreement files were missing an appraisal; therefore, the auditor could not determine if the appraisal was obtained.

Failure to terminate leases due to non-payment of taxes and appointment of an appraiser resulted in noncompliance with state laws and regulations.

Recommendation: We recommend the Lincoln County School District ensure compliance over sixteen section lands by ensuring taxes are paid on or before February 1st, and appraisals are obtained within one year of rental, as required by state law and regulations.

District’s Response: The Lincoln County School District will work to ensure that the taxes are paid on time by lease holders and that appraisals are obtained in accordance with state laws and regulations.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Sixteenth Section Shared Revenues.

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 revenues, the auditor noted the revenue from sixteenth section was not shared promptly after June 30, 2021 with school districts within its shared township. Per documentation received from the District, the shared township revenue was shared on September 21st, 2021.

Failure to promptly share sixteenth section revenue as the custodial school district could result in the misappropriation of public funds.

Recommendation: We recommend the Lincoln County School District ensure compliance over sixteenth section shared revenue by implementing policies and procedures to ensure all revenues are promptly shared with appropriate districts in accordance with state law.

District's Response: The School District has interpreted *Section 29-3-119* and the term "promptly" to mean by October 15th and shares revenue with other districts either in June or July most years. In the current year, the District shared revenue on September 21st which was the day after the September Board meeting in which the allocation was approved. The District will strive to disburse shared revenue in a prompter manner as interpreted by the Office of the State Auditor.

Auditor's Note: *Section 29-3-119, Mississippi Code Annotated (1972)*, does not include the October 15th date noted above by the District. Promptly, means immediately with little or no delay. The fiscal year-ended June 30th, 2021; therefore, the September 21st, 2021 was approximately 3 months later.

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 the testing of the School District's Statements of Economic Interest, the auditor noted one Board member did not file their Statement of Economic Interest by May 1, 2021.

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

Recommendation: We recommend the Lincoln County School District ensure compliance by ensuring School Board members file their Statement of Economic Interest annually, no later than May 1st of each year that such official holds office, regardless of the duration.

District's Response: We will work to ensure all Board Members file the Statement of Economic Interest annually.

Repeat Finding: No.

Finding 10: 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 out of 17 tested that there was no evidence of the forms being filed within with PERS.

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 Lincoln County School District ensure compliance by assuring to maintain records of submission of its Form 4Bs to PERS.

District’s Response: The payroll clerk mails the form 4Bs in July prior to the employees starting work in August as required by law. She maintains an excel spreadsheet showing the date the forms are mailed. In the future, we will either email or fax the forms so the District will have additional proof of when the forms were submitted for OSA.

Auditor’s Note: The District did not provide sufficient evidence of the filing dates with PERS; therefore, OSA could not determine if the PERS Form 4Bs were submitted to PERS. The District did not have fax transmittals or certified letters.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Law over the Filing 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...”

Finding Detail: Based on review of the School District’s surety bonds, the auditors noted the following surety bonds were filed 62 to 130 days after their beginning dates:

- Three Principals;
- Business Manager; and
- Three Purchase Agents.

Failure to immediately and properly file the District employees’ surety bonds within the Chancery Clerk’s office resulted in noncompliance with state law.

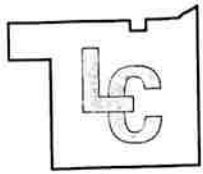
Recommendation: We recommend the Lincoln County School District ensure compliance over surety bonds by filing all bonds for its employees and officials with the Chancery Clerk’s office in a timely manner.

District’s Response: Prior to receiving the finding, the Lincoln County School District would request a bond from the

insurance company. The insurance company would then send an invoice for the bond. We would then place a check on the next docket to pay for the bond. We would also put a check on the docket for the recording fee to the Chancery Clerk's office. Currently, the Chancery Clerk and the insurance company will accept a purchase order and release and file the bond once a purchase order has been issued. This should speed up the process and eliminate some of the time in filing the bonds.

Repeat Finding: No.

End of Report



LINCOLN COUNTY SCHOOL DISTRICT

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P. O. Box 826
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Brookhaven, Mississippi 39602-0826

COMPLIANCE REVIEW FINDINGS

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

Dear Mr. White:

The Lincoln County School District has received the report of findings from the Limited Internal Control Review audit conducted for the fiscal year ending June 30, 2022. Enclosed for you are the responses and corrective action plans.

AUDIT FINDINGS:

Finding 1: The School District Should Strengthen Internal Controls over Bank Reconciliations and the Financial Presentation and Reporting of Investments.

Response: The District under the guidance of previous auditors and accounting manual provided to us by the Mississippi Department of Education which states "Investments – Securities (except bank demand deposits and certificate of deposits) held for the production of revenues in the form of interest and dividends" and because these Certificates of Deposits are available to the District with the payment of a penalty at any time has always classified them as cash.

Corrective Action Plan:

- A. In the future if the Office of the State Auditor wants Certificate of Deposits classified as Investments, the Lincoln County School District will comply and classify them as investments.

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

Every Child Matters

Response: The District will strengthen its controls and monitor activity fund procedures to ensure a better job is done safeguarding activity fund revenue.

Corrective Action Plan:

- A. The District will strive to ensure that all ticket count sheets are filled out correctly and completely.
- B. The District will make timely deposits of all game receipts.
- C. The District will strive to ensure that deposits match tickets sold for all events.

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

Response: The Lincoln County School District will work to ensure that Board members recuse themselves when relatives are hired for any position.

Corrective Action Plan:

- A. During the Board meeting, we will remind Board members to review lists of personnel and to recuse themselves if any related parties are on the agenda.

Finding 4: The School District Should Ensure Compliance with State Law over Ethics Recommendations and Supervision of Relatives.

Response: Lincoln County School District will work to comply with State Law and Ethics Opinions.

Corrective Action Plan:

- A. In the future, the Lincoln County School District will appoint a designee to recommend and supervise up to two related parties at each campus if the direct supervisor is a relative.

Finding 5: The School District Should Ensure Compliance with State Law over the Approval of Depositories.

Response: The Lincoln County School District does not concur with this finding. On June 2nd, 2021, the School Board met and approved Pike National Bank as a valid depository for the three-year period beginning July 1st, 2021. The bank that the School District used during the prior period sent a letter requesting we move the funds as soon as possible and Lincoln County School District they were not interested in bidding and could no longer handle our deposits. Pike National set-up the bank accounts the District would need beginning in July, which generated bank statements with a zero balance for June. We neither signed any document with Pike National Bank nor made any deposits with them until July 1st, 2021. It is our position that in order to be a depository the bank would have had to have our deposits.

Corrective Action Plan:

- A. Lincoln County School District will continue to comply laws concerning depositories.

Finding 6: The School District Should Ensure Compliance with State Law over the Reconciliation of the Public Depositor's Annual Report.

Response: The difference in the annual depositors report and bank accounts is capitalized interest in ICS (Sweep) accounts. These funds were not sent to our account until the following month. The District

contacted the Mississippi State Treasurer's Office while preparing the annual depositors report and we concluded that the capitalized interest in the ICS account was not in the District's custody until the following period and therefore did not belong on the report. The banks that the District are currently using do not utilize cash sweeps so this is no longer an issue.

Corrective Action Plan:

- A. In the future, if the Lincoln County School District is involved in banking that utilizes capitalized interest and cash sweeps, we will include them on the depository report.

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

Response: The Lincoln County School District will work to ensure that the taxes are paid on time by leaseholders and that appraisals are obtained in accordance with state laws and regulations.

Corrective Action Plan:

- A. The Sixteen Section Land Manager will get a list of unpaid taxes from the Tax Collector and will ensure compliance with State law over 16th section land lease taxes.

Finding 8: The School District Should Ensure Compliance with State Law over Sixteenth Section Shared Revenues.

Response: The School District has interpreted Section 29-3-119 and the term "promptly" to mean by October 15th and shares revenue with other districts either in June or July most years. In the current year, the District shared revenue on September 21st which was the day after the September Board meeting in which the allocation was approved.

Corrective Action Plan:

- A. The District will strive to disburse shared revenue in a prompt manner.

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

Response: We will work to ensure all Board Members file the Statement of Economic Interest annually.

Corrective Action Plan: The Lincoln County School District will remind Board member annually.

Finding 10: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Response: The payroll clerk mails the form 4Bs in July prior to the employees starting work in August as required by law. She maintains an excel spreadsheet showing the date the forms are mailed. In the future, we will either email or fax the forms so the District will have additional proof of when the forms were submitted for OSA.

Corrective Action Plan:

- A. PERS has set up a dedicated email address to send Form 4bs. We will utilize this address and will printout the proof showing the forms were submitted on time.

Finding 11: The School District Should Ensure Compliance with State Law over the Filing Surety Bonds.

Response: The delay in filing the surety bonds was due to the Chancery Clerk having to wait on a check for payment in order to file the bonds.

Corrective Action Plan: Currently, the Chancery Clerk and the insurance company will accept a purchase order and release and file the bond once a purchase order has been issued. This should speed up the process and eliminate some of the time in filing the bonds.

A handwritten signature in blue ink, appearing to read "David Martin". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Martin
Superintendent
Lincoln County Schools