

MARION 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*



*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**

December 20, 2022

Limited Internal Control and Compliance Review Management Report

Marion County School District
1010 Highway 13 North
Columbia, MS 39429

Dear Members of the Marion County School Board:

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

1. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
2. Ensure Compliance with State Law over Purchasing Expenditures;
3. Ensure Compliance with State Law over Ethics Recommendation and Supervision of Relatives;
4. Ensure Compliance with State Law over Public Depositor's Annual Report;
5. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
6. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by **January 17, 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 Marion 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 **Marion 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 a certain deficiencies in internal control that we consider to be *significant deficiency* in internal control. These matters are noted under the heading **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**.

SIGNIFICANT DEFICIENCY

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 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 receipts and deposits, the auditor noted the following exceptions out of 32 tested:

- Nine game deposits were between four to 14 days after monies were receipted; and
- There was a net overage of **\$5** between deposits and tickets sales for 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 Marion County School District strengthen controls over activity funds by enforcing policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: Marion County School District will implement immediate changes in procedures for collecting, verifying and depositing all funds for activity accounts. In addition to the modifications to our procedures, the MCSD will also implement a digital application to sell and process tickets for athletic and activity events. We are in the process of

transitioning to “GoFan”. We will continue, for a period of time to sell pre-numbered, paper tickets on a limited basis. These pre-numbered, paper ticket will be for those who are unfamiliar with the application paying process. We plan to assist them in learning the “GoFan” process during this transition and plan to eventually be cash free.

With regards to the discrepancies in deposits versus tickets sold, we plan to implement an additional protocol involving the Athletic Director verifying and monitoring beginning ending numbers of tickets rolls in relation to cash collected during and after events.

All deposits will be counted, verified and deposited within the three day requirement.

Auditor’s Note: *Attorney General Opinion 93-0213*, provides that United States coins and currency are legal tender for all debts, public charges, taxes, and dues. Therefore, the District must give the public more than one option as a means for obtaining tickets to all athletic/extracurricular events.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Ensure Compliance with State Law over Purchasing Expenditures.

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(c), Mississippi Code Annotated (1972), requires a purchase may be made from the lowest and best bidder after advertising for two consecutive weeks in the local newspaper when the expenditures in in excess of \$50,000, exclusive of freight and shipping charges.

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 minutes 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.”

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

- The District did not advertise for competitive bids for a purchase from Pro-Vision Video Systems, Inc., totaling **\$58,080**; and
- Four instances in which the District did not spread upon its official Board minutes the justification for the approval of other than lowest and best bids, totaling **\$24,670**:
 - Audio Optical Systems -**\$6,000**;

- Commercial Stationery Company - **\$5,610**; and
- Branching Minds, Inc., - **\$13,060**.

Failure to follow purchasing laws could result in fraud or misappropriation of public monies and resulted in the District's non-compliance with state laws.

Recommendation: We recommend the Marion County School District ensure compliance by assuring all state purchasing laws are followed and monitored.

District's Response: Marion County School District will immediately implement a procedural protocol that requires a regulated rational for alternative purchase that are not the lowest/best bids. This procedural protocol will be reviewed and approved by the Board and spread upon the minutes accordingly. Likewise, the MCSD will implement and require all competitive bids be advertised for a minimum of two consecutive weeks for all purchases over \$50,000.

Repeat Finding: No.

Finding 3: The School District Should Ensure Compliance with State Law over Ethics Recommendation 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 designates someone other than the Principal to make the employment recommendations of a spouse or child.

Mississippi Ethics Opinion 19-014-E, states 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 memos, the auditor noted the following exceptions:

- Two Principals recommended the hiring of a relative within the third degree; and
- Two Principals directly supervised a relative within the third degree.

Recommendation: We recommend Marion 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)*. Additionally, as stated by the Mississippi

Ethics Commission, this situation should be resolved as soon as possible. This matter has been referred to the Mississippi Ethics Commission.

District's Response: The Marion County School District will take correct actions to ensure all employees that are both recommended and supervised to not fall under the relative clause of *Mississippi Code Section 25-4-105*.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Law over 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 Public Depositor Annual Report, the auditor noted the following exceptions:

- The District did not submit the Public Depositor Annual Report for fiscal year 2020;
- The District did not submit the Public Depositor Annual Report within 30 days of the fiscal year ending June 30, 2021 until September 24, 2021; and
- The District did not report the correct balance for one bank account on its Public Depositor Annual Report for fiscal year 2020.

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 Marion 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)*. Additionally, as stated by the Mississippi Ethics Commission, this situation should be resolved as soon as possible.

District's Response: Marion County School District will implement procedures to ensure required reports are submitted in a timely manner, as required by state law.

Repeat Finding: No.

Finding 5: 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."

PERS Board Regulation 34, Section 105, states, "To 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 a \$300 penalty per occurrence payable by the employer."

Finding Detail: Based on testing of the School District's PERS Form 4Bs, the auditor noted the following exceptions:

- Three retirees were paid more than the allowed salary PERS, totaling **\$1,614**;
- One retiree's salary calculation was more than the salary authorized by the Form 4B; and
- One Form 4B was submitted prior to the retiree's rehire date.

Failure to file Form 4Bs, as required by PERS, 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 Marion County School District ensure compliance with state law and PERS by properly paying employees, completing, and filing Form 4Bs within five days of reemployment.

District's Response: Marion County School District will implement immediate changes in procedures including but not limited to protocols for calculation and submission of Form 4B to PERS as a prerequisite to employment. Additionally, modifications to hourly/salary calculations cumulatively will be put in place to ensure retired rehires shall not work beyond or be paid above allowable amounts.

MCSD will ensure that all PERS Form 4Bs are submitted to PERS within the required five (5) days of rehire and submitted within the proper time frame of their rehire date.

Repeat Finding: No.

Finding 6: 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 37-39-21, Mississippi Code Annotated (1972), states, "The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000.00), with sufficient surety. Such bonds shall be payable, conditioned and approved in the manner provided by law, and shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located. The premium on said bond shall be paid out of the school district(s) maintenance fund(s)."

District Board Policy, Section D – Fiscal Management, Purchasing Authority, states, "“Purchasing agent” shall mean superintendent. Pursuant to the authority granted by Section 37-39-15, Mississippi Code 1972 as amended, the Marion County School Board hereby designates other individuals as "purchasing agents" subject to the limitations set forth below. (1.) In addition to the superintendent the school board hereby designates the Assistant Superintendent and Business Manager as "purchasing agents" with general authority to negotiate for and purchase the commodities and services necessary for the operation of the school district, within the limits of budget.

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

- Two bonds were not on file at the Chancery's Clerks Office:
 - Principal's blanket bond;
 - One Purchasing Agent; and

- The Superintendent and Business Manager were not bonded as Purchasing Agents, as required by 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 Marion County School District ensure compliance by assuring all employees are properly and officially bonded, and are on file at the Chancery Clerk's office, as required by state law and its Board policy.

District's Response: Marion County School District will implement procedures to ensure all appropriate personnel are officially bonded and are on file at the Chancery Clerk's office as required by state law and policy.

Repeat Finding: No.

End of Report



January 30, 2023

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

Dear Mr. White,

On behalf of the Marion County School District you will find a summary of the findings, responses, and the corrective action plan for each. We appreciated the brief time we spent with Veronica and her team. They were the epitome of professionalism. She helped to make the entire process to be both manageable and as pleasant as possible.

Audit Findings:

1. *Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;*
2. *Ensure Compliance with State Law over Purchasing Expenditures;*
3. *Ensure Compliance with State Law over Ethics Recommendation and Supervision of Relatives;*
4. *Ensure Compliance with State Law over Public Depositor's Annual Report;*
5. *Ensure Compliance with State Law over Reemployment of Retired Public Employees; and*
6. *Ensure Compliance with State Law over Surety Bonds.*

Audit Finding:

1. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits

Response: *Marion County School District will implement immediate changes in procedures for collecting, verifying and depositing all funds for activity accounts. In addition to the modifications to our procedures, the MCSD will also implement a digital application to sell and process tickets for athletic and activity events. We are in the process of transitioning to "GoFan". We will continue, for a period of time, to sell pre-numbered, paper tickets on a limited basis. These pre-numbered, paper tickets will be for those who are unfamiliar with the application paying process. We plan to assist them in learning the "GoFan" process during this transition and plan to eventually be cash free. With regards to the discrepancies in deposits versus tickets sold, we plan to implement an additional protocol involving the Athletic Director verifying and monitoring beginning ending*

numbers of tickets rolls in relation to cash collected during and after events. All deposits will be counted, verified and deposited within the three day requirement.

Corrective Action Plan

a. Specific steps to be taken to correct the situation.

The district will implement procedural practices and supporting policies that will ensure both cash and electronic payment options are available for event attendees. Likewise, procedures for reconciling all revenue from both possible sources will be implemented post event and at accounting reporting intervals to the board.

b. Name(s) of the contact person(s) responsible for corrective action.

Anthony Dillon, Athletic/Activities Director; Avery Johnson, Business Manager;
Carl Michael Day, Superintendent

c. Anticipated completion date for corrective action.

Immediate and Ongoing, with relevant policies in place by June 30, 2023.

d. Specific reasons why corrective action is not necessary, if applicable.

Not applicable.

Audit Finding:

2. Ensure Compliance with State Law over Purchasing Expenditures

Response: *Marion County School District will immediately implement a procedural protocol that requires a regulated rationale for alternative purchases that are not the lowest/best bids. This procedural protocol will be reviewed and approved by the Board and spread upon the minutes accordingly. Likewise, the MCSD will implement and require all competitive bids be advertised for a minimum of two consecutive weeks for all purchases over \$50,000.*

Corrective Action Plan

a. Specific steps to be taken to correct the situation.

The MCSD will implement and require all competitive bids be advertised for a minimum of two consecutive weeks for all purchases over \$50,000. All relevant policies will be reviewed and adjusted to align with all state and federal guidelines.

b. Name(s) of the contact person(s) responsible for corrective action.

Avery Johnson, Business Manager; Carl Michael Day, Superintendent; Margie Teston, Accounts Payable Clerk; Melinda Robbins, Business Clerk; Libby Aaron, Federal Programs Director; Brian Foster, Curriculum Director

c. **Anticipated completion date for corrective action.**

Immediate and Ongoing, with policies reviewed and aligned by June 30, 2023.

d. **Specific reasons why corrective action is not necessary, if applicable.**

Not Applicable.

Audit Finding:

3. The School District Should Ensure Compliance with State Law over Ethics Recommendation and Supervision of Relatives.

Response: *The Marion County School District will take correct actions to ensure all employees that are both recommended and supervised to not fall under the relative clause of Mississippi Code Section 25-4-105.*

Corrective Action Plan

a. **Specific steps to be taken to correct the situation.**

The MCSD will implement internal control to ensure all new hires are in compliance with state and federal code of ethics.

b. **Name(s) of the contact person(s) responsible for corrective action.**

Avery Johnson, Business Manager; Maya Magee, HR Clerk; Carl Michael Day, Superintendent

c. **Anticipated completion date for corrective action.**

Immediate and Ongoing.

d. **Specific reasons why corrective action is not necessary, if applicable.**

Not Applicable.

Audit Finding:

4. The School District Should Ensure Compliance with State Law over Public Depositor's Annual Report.

Response: *Marion County School District will implement procedures to ensure required reports are submitted in a timely manner, as required by state law.*

Corrective Action Plan

a. **Specific steps to be taken to correct the situation.**

Marion County School District will implement procedures to ensure required reports are submitted in a timely manner, as required by state law.

b. **Name(s) of the contact person(s) responsible for corrective action.**

Avery Johnson, Business Manager; Carl Michael Day, Superintendent

c. **Anticipated completion date for corrective action.**

Immediate and ongoing each year prior to submission deadline.

d. **Specific reasons why corrective action is not necessary, if applicable.**

Not Applicable.

Audit Finding:

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

Response: *Marion County School District will implement immediate changes in procedures including but not limited to protocols for calculation and submission of Form 4B to PERS as a prerequisite to employment. Additionally, modifications to hourly/salary calculations cumulatively will be put in place to ensure retired rehires shall not work beyond or be paid above allowable amounts.*

MCSD will ensure that all PERS Form 4Bs are submitted to PERS within the required five (5) days of rehire and submitted within the proper time frame of their rehire date.

Corrective Action Plan

a. **Specific steps to be taken to correct the situation.**

Marion County School District will implement immediate changes in procedures including but not limited to protocols for calculation and submission of Form 4B to PERS as a prerequisite to employment. Additionally, modifications to hourly/salary calculations cumulatively will be put in place to ensure retired rehires shall not work beyond or be paid above allowable amounts. Upon retirement notification, a system countdown will be started with the HR Clerk, Business Manager, and Superintendent will go live as a reminder of the approaching deadline.

b. **Name(s) of the contact person(s) responsible for corrective action.**

Avery Johnson, Business Manager; Maya Magee, HR Clerk; Carl Michael Day, Superintendent

c. **Anticipated completion date for corrective action.**

Immediate and Ongoing as retirements occur.

- d. **Specific reasons why corrective action is not necessary, if applicable.**

Not Applicable.

Audit Finding:

6. The School District Should Ensure Compliance with State Law over Surety Bonds.

Response: *Marion County School District will implement procedures to ensure all appropriate personnel are officially bonded and are on file at the Chancery Clerk's office as required by state law and policy.*

Corrective Action Plan

- a. **Specific steps to be taken to correct the situation.**

Marion County School District will use a schedule to manage all surety bonds. The district will also ensure that all surety bonds are filed with the local government in a timely manner.

- b. **Name(s) of the contact person(s) responsible for corrective action.**

Avery Johnson, Business Manager; Carl Michael Day, Superintendent

- c. **Anticipated completion date for corrective action.**

Immediate and Annual Renewal/New Hire Renewal.

- d. **Specific reasons why corrective action is not necessary, if applicable.**

Not applicable.

Leading by Serving,



Carl Michael Day
Superintendent of Education
Marion County School District