

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

February 15, 2023

Limited Internal Control and Compliance Review Management Report

Monroe County School District
1619 Highway 25 North
Amory, Mississippi 38821

Members of the Monroe County School Board:

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

1. Strengthen Internal Controls over Segregation of Duties Surrounding the District's Cash Function;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Activity Fund Cash Receipts and Deposits;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Preparation and Approval;
4. Ensure Compliance with State Law over Ratifying Checks Disbursed by Individuals Other than the Superintendent;
5. Ensure Compliance with State Law over Board Member Ethics and Nepotism;
6. Ensure Compliance with State Law over Merchant Specific Credit Cards;
7. Ensure Compliance with State Law over Obtaining and Maintaining Background Checks;
8. Ensure Compliance with State Law over Approved Salaries and Contracts;
9. Ensure Compliance with State Law over Sixteenth Section Lease Payments and Reporting; and
10. Ensure Compliance with State Law over Free Admission to Extracurricular Events and Mississippi High School Activities Association (MHSAA) Passes.

Please review the recommendations and submit a plan to implement them by March 1, 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 Monroe 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 **Monroe 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 *significant deficiencies* in internal control. These matters are noted under the headings **SIGNIFICANT DEFICIENCY**. We also noted certain deficiencies in controls that we noted under the heading **OTHER DEFICIENCIES**.

In addition, while performing our review, we noted certain instances of noncompliance with State laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

SIGNIFICANT DEFICIENCY

Finding 1: The School District Should Strengthen Internal Controls over Segregation of Duties for the District's Cash Functions.

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. Therefore, there should be an additional personnel incorporated within the signing of checks, disbursement of checks, receipting monies, preparing deposits, and making bank deposits.

Finding Detail: During the review of the School District's internal controls, the auditors noted the following exceptions:

- The bookkeepers at each school sign checks, receipt monies, prepare and make bank deposits; and
- The Central Office secretary receipts monies, prepares and makes bank deposits.

Failure to have proper internal controls surrounding the District's cash function could result in fraud or misappropriation of public monies.

Recommendation: We recommend the Monroe County School District strengthen internal controls by allowing another employee to review and assist in the receipting, disbursement, and depositing of District's funds at each school location and Central Office.

District's Response: As recommended by the auditor, bookkeepers stopped signing checks at the beginning of fiscal year 22. Beginning immediately, an administrator at the schools and the District office will review and initial off on all bank deposits prior to the bookkeeper/secretary taking the deposit to the bank.

Repeat Finding: No.

OTHER DEFICIENCY AND INSTANCE OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law 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. Management is responsible for ensuring that all revenue is properly earned, recorded, and deposited in order to safeguard the assets of the School District.

Applicable State Law: *Accounting Manual for School Districts, Section B, Miscellaneous Issues, Subject E – Receipt Files*, prescribed by the Mississippi Department of Education, states, “All monies shall be receipted to the school district utilizing pre-numbered receipts (2 parts) and be maintained in a bound book or ledger. Under no circumstance shall monies be deposited to any bank account without a proper receipting of such monies. Any documentation necessary to support the receipts shall be maintained on file. All receipts shall include date, received from, amount, account classification and signature of receiver, at a minimum. Electronic transfers of funds should also have receipts assigned for reporting purposes. Receipt files should be prepared and filed by month. These files should contain receipts filed in numerical order along with all supporting documentation (i.e. remittance advices, etc.)”

Accounting Manual for School Districts, Section F, Activity Funds, School Event Receipt Form, prescribed by the Mississippi Department of Education, states, “Pre-numbered tickets must be used at any local school event for which a fee is charged for admission and it is anticipated that the event will generate more than \$100. All pre-numbered tickets for such events will be accounted for using the School Event Receipt Form...A separate form must be completed for each individual selling tickets.”

Finding Detail: During the review of the School District’s activity fund deposits and receipts, the auditors noted the following exceptions out of 57 tested:

- Thirteen event forms were modified by changing the ending ticket numbers, last ticket sold, and the amount of cash collected without being initialed and dated.
- Pre-numbered tickets were not utilized for gate entrance for four athletic events; therefore, auditors were unable to verify the accuracy of the game deposits, totaling **\$2,135**;
- Four event forms were missing signatures;
- The District was unable to provide receipts for two game deposits;
- The number of tickets signed out for one athletic event was less the number of tickets sold;
- One event form noted tickets sold did not agree with the actual number of tickets sold and its corresponding deposit; and
- There was a net overage of **\$24** between deposits and ticket sales.

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

District's Response: At Hamilton pre-numbered vouchers were used in place of pre-numbered tickets during the time that capacity limits were in place due to COVID. The Event Forms had the number of vouchers sold and was balanced to the cash collected. Our Event Receipt Form has been updated as recommended by the auditor in July 2021. We have met with administration and bookkeepers on proper form completion. Administration will provide additional guidance/training for all gate workers. Several of the nine instances of ending ticket numbers changed was due to improper recording of the ending ticket number by the gate worker. Several only changed by one number due to gate workers recording the last ticket sold as opposed to the last ticket remaining. Additional training and an update of the event form in July has been provided to prevent this in the future.

Repeat Finding: No.

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

Internal Control Deficiency: The Board of Education establishes priorities for the financial management of the District, reviews and approves all presented budgets, and assures expenditures for the District fund are within the legal requirements of the approved budget.

Applicable State Law: *Section 37-61-19, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures form a fund in excess of the resources available within that fund..."

Finding Detail: During the review of the School District's budgeting, the auditors noted the following exceptions:

- On August 15, 2020, the Board approved the original budget for fiscal year 2021 that included two funds reflecting a projected negative fund balance at year end:
 - Fund 1751 (ALC Agency Accounts) - (\$56); and
 - Fund 2440 (EEF Classroom Supplies) – (\$178).
- On October 12, 2021, the Board approved the amended budget for fiscal year 2021 that included five funds reflecting a negative fund balance at year-end:
 - Fund 2511 (Title II) – (\$588);
 - Fund 2620 (Special Education Preschool – (\$936);
 - Fund 2711 (Vocational Education) – (\$1,050);
 - Fund 2811 (Title IV) – (\$10); and
 - Fund 2830 (Sixteenth Section Escrow) – (\$10,635).

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 violation of state law.

Recommendation: We recommend the Monroe County School District strengthen internal controls and ensure compliance by implementing 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.

District's Response: Monroe County School District did not end fiscal year 21 with any negative fund balances. Our FETS fund balance report is attached. The fiscal year 21 Original Budget was completed by a previous business manager. The fiscal year 22 Original Budget does not reflect any negative projected fund balances. Fund 2711 and Fund 2830 were amended at year end to include encumbrances causing a negative projected fund balance on the amended budget. This was

an error on my part. As a new business manager I am still learning and will be sure to note this error in the future. Funds 2511, 2620, and 2811 are all Federal Funds which are not amended to actual at year end. Although these funds ended with an actual balance of 0. I will be sure in the future to look more closely at why they would project as negative and correct the problem.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 4: The School District Should Ensure Compliance with State Law over Ratifying Checks.

Applicable State Law: *Section 37-7-301(o), Mississippi Code Annotated (1972)*, states, “To make orders directed to the superintendent of schools for the issuance of pay certificates for lawful purposes on any available fund of the district and to have full controls of the receipt, distribution, allotment and disbursement of all fund provided for the support and operation of the schools of such school district whether such funds be derived from state appropriations, local ad valorem tax collections, or otherwise. The local school board shall be authorized and empowered to promulgate rules and regulations that specify the types of claims and set limits of the dollar amount for payment of claims by the superintendent of schools to be ratified by the board at the next regularly scheduled meeting after payment has been made;

Section 37-9-14(3), Mississippi Code Annotated (1972), states, “All fund to the credit of a school district shall be paid out on pay certificates issued by the superintendent upon order of the school board of the school district properly entered upon the minutes thereof, and all such order shall be supported by properly itemized invoices from the vendors cover the materials and supplies purchased.”

Mississippi Attorney General Opinion 2002-0658 provides that pay certificates may be issued by the Superintendent without prior approval of the school board on the payment of specific claims in accordance with exceptions noted within *Section 37-9-14(7)*, such as teacher’s salaries, salaries of drivers of publicly owned school buses, travel advances, amounts due private contractors or other obligations where the amount thereof has been previously approved by a contract or by an order of the school board entered upon its minutes, or by inclusion in the current fiscal year budget.

Finding Detail: During the review of the School District’s check disbursements, the auditors noted the Principal at each school location disbursed checks prior to the Board’s approval. All disbursements were ratified by the School Board at the next monthly scheduled Board meeting.

Failure to ensure disbursements made by Principal were Board approved prior to the disbursement resulted in a violation of state law and could result in fraud or misappropriation of public monies.

Recommendation: We recommend the Monroe County School District ensure compliance by implementing policies and procedures to ensure the Board authorizes all payments prior to disbursing the monies by individuals not allowed by state law.

District’s Response: School principals will begin submitting claims for approval by the board prior to issuing checks.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Law over Board Members Ethics and Nepotism.

Applicable State Law: *Mississippi Ethics Commission Opinion 10-014E*, provides that a Board member should avoid participating in budget matters which do not directly affect the relatives but from which the relative may indirectly benefit.

This opinion also provides the Board Member would not be required to recuse himself or herself from the approval of budgets where the relative is a licensed employee of the school district whose salary is set by the Mississippi Department of Education and the District has not supplemented that employee's salary, or provided other discretionary salary or benefits to the relative. When possible a school board may separate the budget into parts and vote on parts separately, even when such separation is not necessary to maintain a quorum. The guiding requirement is that a board member must recuse from actions which would result in a monetary benefit to the board member's relative. Therefore, a school trustee who's financially independent child is employed by the school district as a certified teacher may vote on the adoption of a budget, provided that all local salary or other supplemental benefits are excluded from the budget as voted upon and acted upon separately by the other trustees, even when such separation is not so required to obtain a quorum. Additionally, the Board Member may not use his or her position to avoid a monetary detriment to his or her relative, such as termination or unpaid furlough. There should be a total and complete recusal the Board Member in matters of relatives described in *Mississippi Code Section 25-4-103(q)*. This action should be spread upon the District's minutes.

Mississippi Ethics Commission Opinion 14-051-E, requires that if the Board member and the relative are indeed financially independent, then there is no violation of *Section 109, Mississippi Constitution of 1890*, or *Section 25-4-105(2), Mississippi Code of 1972*, should occur, but the Board Member must recuse himself from any matter which would result in a pecuniary benefit to the relative, in compliance with *Section 25-4-105(1), Mississippi Code of 1972*.

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 party questionnaires, the auditors noted the following exceptions:

- On April 14, 2020, one Board member did not recuse themselves during the rehire of their child as a certified teacher; and
- On May 12, 2020 and April 13, 2021, one Board member voted to increase the local supplements and approved the entire 2020-2021 original and amended budgets; since the Board member's child works for the District and received these supplements, there should have been a total and complete recusal for the vote. This recusal should have been spread upon the District's Board minutes.

Failure of the Board members to recuse themselves from the votes on rehire of a child (certified teacher), approval of local supplements, and approval of the entire original and amended budgets resulted in the violation of nepotism and ethics laws.

Recommendation: We recommend the Monroe County School District ensure compliance by assuring Board members recuse themselves during the rehire of certified employees within the third degree, as required by *Section 37-9-21*. Additionally, the District should ensure a Board member recuses themselves during the approval of original and amended budgets and local supplements which include the salary of their child. This matter has been referred to the *Mississippi Ethics Commission*.

District's Response: *Mississippi Code Annotated 37-9-21*, does not refer to budget approval. Board Member from District two voted on the rehire of personnel on April 14, 2020, which included his daughter. This was inadvertent and happened through oversight. It was corrected the following year on April 13, 2021, when the Board Member from District two recused himself from the vote on the rehire of his daughter. Procedures are in place to make sure this not happen again. The Board

Member from District two did not recuse himself from either of the votes pertaining to the local supplement through oversight, as he correctly recused himself from the vote to approve non-certified personnel as his daughter is a certified (licensed) teacher. Procedures are in place to ensure the Board Members do not vote on matters pertaining to their relatives within the third degree in violation of *Mississippi Code Annotated 37-9-21*.

Auditor's Note: As noted above, *Mississippi Ethic Opinions 14-05-E and 10-014E* provides that School Board members should recuse themselves in matters that financially benefit a relative. This would include the approval of the original and amended budgets that contains the supplemental salary of a relative. Since the Board Member's recusal was not spread upon the minutes, this is a violation of *Mississippi Code Annotated 37-9-21*.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Merchant – Specific Credit Cards.

Applicable State Law: *Mississippi Procurement Manual, Chapter 10, 10.112.03, Merchant-Specific Credit Cards*, prescribed by the Mississippi Department of Finance and Administration, states, "Governing authorities desiring to obtain a merchant specific credit card shall submit to their governing board for approval, written justification for the need of a merchant specific credit card. Approval of such action shall be placed on the minutes of the board of the governing authority."

Finding Detail: During the review of the School District's credit cards, the auditors noted the Board did not approve or justify in its minutes the use of its merchant – specific credit card (Walmart).

Failure of the Board to approve and justify the use of a merchant – specific credit card cards resulted in violation of state regulations.

Recommendation: We recommend the Monroe County School District ensure compliance by assuring all merchant – specific credit cards are approved and justified within the Board's minutes, as required by state regulations.

District's Response: Monroe County School District adopted *Policy DJI* regarding the use of district credit cards on October 12, 2021. This policy references *Mississippi Code Annotated 31-7-1* which is also referenced in *DFA 10.112.03*. Procedures are in place to verify all merchant-specific credit cards are approved. All current cards will be approved at our next scheduled board meeting.

Auditor's Note: The District's School Board Policy, *Section D, Fiscal Management, Policy Code DJ "Use of Credit Cards,"* was not approved until after fiscal year 2021. As stated above, governing authorities must have written justification of the need of a merchant – specific credit card and this justification must be placed on the Board's minutes. Also, the name of the credit card should be noted. The justification for the use of a merchant – specific credit card should not be a generic statement.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Obtaining and Maintaining Background Checks.

Applicable State Law: *Section 37-9-17, Mississippi Code Annotated (1972)*, states "Current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks

are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board or at such local school district prior to July 1, 2000.” Ultimately, the criminal records information and registry must be kept on file for any and all new hires. Additionally, employees employed under the recommendation of a personnel supervisor may not be paid compensation in excess of their approved contract without Board approval.

Finding Detail: During the review of the School District’s personnel files, the auditors noted there was no evidence of the District obtaining background checks for two out 15 certified teachers’ files reviewed.

Failure to obtain background checks of all new hires could result in a wrongful hire of an individual.

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

District’s Response: One of the employees without a background check was hired at the same time the law went into effect in 2000. The 2nd employee was inadvertently missed. Both have already had fingerprints and background checks done and placed in their personnel files.

Auditor’s Note: The employee’s hire date was August 2000. The law went into effect July 1, 2000. Fingerprints and background checks on the two employees are dated: January 25, 2022 and January 26, 2022.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Approved Salaries and Contracts.

Applicable State Law: *Section 37-9-33, Mississippi Code Annotated (1972)*, states, “In employing and contracting with appointed superintendents, principals, and certified employees, the school board shall in all cases determine whether the amount of salary to be paid such superintendent, principal, and certified employees is in compliance with the provisions of the adequate education program. No contracts shall be entered into where the salary of a superintendent, principal, or certified employee is to be paid, in whole or in part, from adequate education program funds except where the reimbursements of said chapter as to the amount of salary are fully met...”

Section 37-9-37, Mississippi Code Annotated (1972), states, “The amount of salary to be paid any superintendent, principal, or licensed employee shall be fixed by the school board, provided that the requirements of Chapter 19 of this title are met as to superintendents, principals, and licensed employees paid in whole or in part from minimum education program funds.”

Finding Detail: During the review of the School District’s personnel files and payroll, the auditors noted the salary of 13 out 15 certified teachers did not agree to the Board approved and signed contracts within their personnel files. The School Board approved to pay certified teachers a higher local supplement after the original contracts were signed and approved. The new supplements were not added to the contracts or signed by the certified teachers. After inquiry of the Payroll Clerk, a document was provided that had been attached to the original contract; however, amended contracts with the adjusted amounts were not executed.

Failure to have a written contract properly executed, and to make payment to a licensed employee prior to the execution of the 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 to the appropriate salary scales could result in the District both overpaying and underpaying certified employees.

Recommendation: We recommend the Monroe County School District ensure compliance by implementing policies and procedures to ensure contracts are properly executed prior to paying the salary of its certified employees. Also, the School Board, Superintendent, and Management should ensure compliance by verifying all salaries are paid according to the appropriate salary scales and supplements, as required by state law.

District's Response: Tested contracts where salary did not agree to contracted amount are in regards to an increased local supplement. Certified teachers had already been issued contracts when the board voted to increase the local supplement. Upon guidance from our school board attorney, we issued a letter of change for each employee to accompany their contract. These letters have been placed in each personnel file with their contract as well as a report from our accounting software stating the correct salary.

Auditor's Note: These letters were not in the files at the time of testing, as acknowledged by the Superintendent and the Business Manager during the presentation of the findings.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Payments and Reporting.

Applicable State Law: *Section 29-1-3(3), Mississippi Code Annotated (1972)*, states, "Any state, county, municipal or school district official shall supply annually to the Secretary of State such sixteenth section management information as shall be requested by the secretary. Such information shall include, but not be limited to, the following items pertaining to all new leases, rights-of-way, easements and sales of school trust lands: the number of acres in each parcel; the consideration paid for each transaction; the length and expiration of each lease, easement, or right-of-way; and the use to be made of each parcel. The applicable public official shall likewise report information requested by the Secretary of State on schedule of revenue and expenses and principal fund investments. Such information shall include, but not be limited to, the following items: revenues received from various sources; expenses; escrow funds; principal funds; amounts of monies invested; dates of investment; where invested; form of investment; rate of return of each investment; and the amount of revenue earned upon each investment. The information must be submitted in electronic format in the manner required by the Secretary of State.

Section 29-3-57, Mississippi Code Annotated (1972), states, "It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease."

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

- Six lease payments were made between 66 to 151 days late; however, the lease agreements were not terminated; and
- Two leases were not reported on the 2021 Secretary of State School Trust Land Report.

Failure to terminate lease agreements due to late payments and failure to report all sixteenth section lease agreements to the Secretary of State resulted in noncompliance with state laws and regulations.

Recommendation: We recommend Monroe County School District ensure compliance by assuring lease payments are made within 60 days, as required by state law. Additionally, the School District should properly and accurately file the Sixteenth Section School Trust Land Report annually with the Mississippi Secretary of State, as required by state law.

District's Response: Around January 2021, during the Superintendent's update to the Board, it was mentioned that the 16th Section Land Manager would work with leaseholders that had a late payment. The Board gave verbal agreement, but no vote or board action was taken. Moving forward and starting immediately:

- a. A letter of rental payment due will be mailed to each rental at least 15 days before the rental payment is due. A hardship form will be developed to send with the payment due letter. This will allow for documentation as needed.
- b. If payment is not made on time:
 - i. A past due letter will be mailed along with a phone call.
 - ii. The board will be presented with the leaseholder's name and request to continue working with the leaseholder on payment.
 - iii. If the leaseholder continues to be late after a reasonable amount time, a request to the board will be made to terminate the lease.

In November of 2021, our Sixteenth Section Land Manager discovered two leases were no longer in the "list of leases" section on the Secretary of State's 16th section lands portal. It was determined that these two leases needed to be updated and refiled. The Secretary of State's office provided both lease numbers. At that point, we began gathering the needed documents to update both leases properly. At this time all required documents have been provided to the Secretary of State's office, along with an updated file posted on the sixteenth section lands state portal.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Free Admission to Extracurricular Events and Mississippi High School Activities Association (MHSAA) Passes.

Applicable State Law: *Attorney General Opinion 2005 WL 832129*, provides that free admission to sporting and social events would not be permissible.

Attorney General Opinion 2011-00405, states, "Pursuant to Section 96, teachers who are current under contract to perform services during the school year may not be given extra compensation using state dollars for services rendered which are already covered by the contract. *MS AG Op., Adams January 10, 2003*. If teachers have already contracted with the school district and part of their contractual duties include working games and extra-curricular activities, Article 4, Section 96 of Mississippi Constitution prohibits the school district from using state dollars to compensate the teachers for services rendered which are already covered by the contract."

Mississippi Constitution, 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..."

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

- All District personnel and spouses/significant others are allowed free admission to all school – sponsored events with their identification badges; and

- The District paid for Mississippi High School Activity Association (MHSAA) state passes for the following eight District employees without being reimbursed, totaling **\$240**:
 - Five Board members; and
 - Three Elementary School Principals.

Failure to have a Board 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 state passes for District employees other than the Coaches, Superintendent, Athletic Director, and High School and Middle School Principals could result in an illegal donation.

Recommendation: We recommend the Monroe County School District ensure compliance by implementing policies in regards to the free admission and the reimbursement of MHSAA state passes of its personnel to school – sponsored events. Additionally, we recommend the School District not allow free admission to individuals that are not employed by the District.

District's Response: All of our schools are K-12 attendance centers. We do not have separate elementary or middle school campuses. Our K-12 campus administrators are given a state pass because they are required to perform supervisory responsibilities at school athletic events. This is in compliance with the Mississippi High School Activities Association Handbook. "Activity funds or personal funds may be used to purchase passes for the following personnel performing supervisory responsibilities at school athletic events. These include Superintendents, Assistant Superintendents, Principals, Assistant Principals, Athletic Directors, Band Directors, Choral Directors, Cheerleader/Dance Sponsors, Coaches, and their spouses. Spouses of the mentioned personnel are eligible to purchase a pass for an additional **\$30.00**. Only submit the spouse's name if you are purchasing a pass him/her. However, a school employee of the above listed personnel must purchase a pass in order for his/her spouse to be eligible."

Auditor's Note: The MHSAA is a private entity and MHSAA compliance for the purchase of passes does not negate state law in relation to donations. Passes purchased for employees or officials not listed in the finding above constitutes as an illegal donation.

Repeat Finding: No.

End of Report

MONROE COUNTY SCHOOL DISTRICT

Dr. Chad O'Brian
Superintendent

Tracy McCollum
School Business Administrator

Christy Little
Payroll Clerk

Lec Ann Davidson
Accounts Payable

P.O. Box 209
Amory, MS 38821

(662) 257-2176 * FAX (662) 257-2181

County School Board

Renee Harris
District 1

Sam Mitchell
District 2

Chris Markham
District 3

Tracey Cockerham
District 4

Linda Bickerstaff
District 5

COMPLIANCE REVIEW FINDINGS

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

March 1, 2023

Dear Mr. White:

Enclosed are the Responses and Corrective Action Plans of the Compliance Review for the Monroe County School District for Fiscal Year 2021. Also, any backup documentation needed to support the response is attached and labeled with the audit finding heading.

AUDIT FINDINGS:

Strengthen Internal Controls over Segregation of Duties Surrounding the District's Cash Function

Response: The District concurs with this finding. The District will strengthen internal controls surrounding cash functions by requiring dual verification.

Corrective Action Plan:

- A. 1. Bookkeepers no longer sign checks.
2. A second individual must verify and initial all cash receipts.
3. An administrator at the school and the District office must review and initial off on all bank deposits prior to the bookkeeper/secretary taking the deposit to the bank.
- B. Tracy McCollum, Business Administrator, is the contact person for this corrective action.
- C. 1. Effective beginning fiscal year 2022
2. Effective February 2022
3. Effective February 2022

Strengthen Internal Controls and Ensure Compliance with State Law over Activity Fund Cash Receipts and Deposits

Response: The District concurs with this finding. The District will strengthen internal controls and compliance with state law over the event receipting process by updating the event form and increased training on the use of the form.

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Corrective Action Plan:

A.

1. The District's event form has been updated to make the process easier to understand for gate workers. It clearly states which ticket numbers to document and where to find them as well as where and whose signatures are required. It is also color coded to show where values should equal. Additional training was provided to administrators and bookkeepers on proper form completion, and they will provide training to gate workers.
2. Pre-numbered tickets on a ticket roll are and have always been utilized by the District with the exception of games occurring during COVID 19 capacity restrictions. During this time some of the District events were utilizing pre-numbered vouchers that were printed at the school. This was done in an attempt to limit fraudulent vouchers being presented. In the event of capacity restrictions in the future, the District will continue to use pre-numbered ticket rolls to remain in compliance with State Law.
3. The District will continue to train gate workers on the importance of the accuracy of handling change when working gates at events.

B. Tracy McCollum, Business Administrator, is the contact person for this corrective action.

C. 1. Effective beginning fiscal year 2022

2. Effective February 2022

3. Effective February 2022

Strengthen Internal Controls and Ensure Compliance with State Law over Budget Preparation and Approval

Response: The District concurs with this finding. The District will work to ensure compliance with state laws in regards to budget preparation and approval.

Corrective Action Plan:

- A. A thorough review of the original and amended budget will be made prior to presentation to the Board for approval to realize and correct any errors in the fund balance projections.
- B. Tracy McCollum, Business Administrator, is the contact person for this corrective action.
- C. Effective February 2022

Ensure Compliance with State Law over Ratifying Checks Disbursed by Individuals Other than the Superintendent

Response: The District concurs with this finding. The District will implement procedures to ensure the Board authorizes all checks disbursed that are signed by the Principal.

Corrective Action Plan:

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- A. The District will have Activity Fund claims Board approved before checks are signed by the Principal at each school. If a check is needed before the Board can approve the claim, the Superintendent will sign the check and the claim will be ratified at the next regularly scheduled board meeting.
- B. Tracy McCollum, Business Administrator, is the contact person for this corrective action.
- C. Effective beginning fiscal year 2023

Ensure Compliance with State Law over Board Member Ethics and Nepotism

Response: The District concurs with this finding. The District will work to improve procedures to ensure Board members recuse themselves during any action regarding family members within the third degree including original and amended budget approval.

The board member voting on the rehire of their child as a certified teacher was an oversight. The District had a new Superintendent who was alone in preparing the recommendations to the board due to the COVID 19 shutdown. The board member had always recused themselves before and after the April 14, 2020 meeting on the vote to rehire their child. This was an isolated error on the part of the District and the board member.

Corrective Action Plan:

- A.
 - 1. The District now has multiple people checking the recommendations list to ensure anyone related within the third degree will be recommended separately due to a board member recusal. The District will also stress the importance of compliance with state law over board member ethics and nepotism with the School Board.
 - 2. The District will now require any board member that is related to an employee within the third degree to recuse themselves from voting on any supplements and approval of original and amended budgets. The District has multiple people checking the board packets to make sure this is followed.
- B. Dr. Chad O'Brian, Superintendent, is the contact person for this corrective action.
- C. Effective February 2022

Ensure Compliance with State Law over Merchant Specific Credit Cards

Response: The District concurs with this finding. The District will assure all merchant-specific credit cards are approved and justified within the Board minutes.

Corrective Action Plan:

- A. All merchant-specific credit cards will now be board approved annually as recommended by the field auditors.
- B. Tracy McCollum, Business Administrator, is the contact person for this corrective action.

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C. Effective April 2022

Ensure Compliance with State Law over Obtaining and Maintaining Background Checks

Response: The District concurs with this finding. The District already has procedures in place to ensure all new hires' background checks and child abuse registry checks are performed.

Corrective Action Plan:

- A. The District will continue to use our current procedures to ensure background checks and child abuse registry checks are performed and maintained in the personnel files.
- B. Tracy McCollum, Business Administrator, is the contact person for this corrective action.
- C. These procedures were currently in place at the time of the compliance audit.
- D. The procedures for background checks and child abuse registry checks are well implemented at this time. The instances in this finding are regarding employees hired in 2000 and 2002.

Ensure Compliance with State Law over Approved Salaries and Contracts

Response: The District concurs with this finding. The District will ensure that contracts are executed properly prior to paying the salary of certified employees.

Corrective Action Plan:

- A. The District will ensure that any letters of change issued with a contract will be filed with the signed contract in the personnel file.
- B. Tracy McCollum, Business Administrator, is the contact person for this corrective action.
- C. Effective February 2022

Ensure Compliance with State Law over Sixteenth Section Lease Payments and Reporting

Response: The District concurs with this finding. The District will implement procedures to collect all lease payments in a timely manner and to properly and accurately file the Sixteenth Section School Trust Land Report with the Mississippi Secretary of State.

Corrective Action Plan:

- A. 1. The procedures listed in The District's original response will be implemented.

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2. The District will file the Sixteenth Section School Trust Land Report properly within the state portal. The portal requires authorization from the Superintendent and Business Administrator before it can be submitted. This allows for any errors to be recognized before submitting.
- B. Kevin Threadgill, Assistant Superintendent, is the contact person for this corrective action.
- C.
 1. Effective April 2023
 2. Effective November 2022

Ensure Compliance with State Law over Free Admission to Extracurricular Events and Mississippi High School Activities Association (MHSAA) Passes

Response:

1. In regards to all District personnel and spouses/significant others allowed free admission; The District does not concur with this finding. The District was not given a Management Response Letter regarding this finding. The District's employee handbook states "School employees and spouse or significant other will be admitted to all county activities." A copy of this was given to the field auditors. A copy is attached (pg. 7) as well as the board minutes where it was approved.
2. In regards to The District paying for MHSAA state passes for Five Board members without reimbursement; The District does not concur. The District was reimbursed by each board member. Copies of the receipts and journal entry documenting the receipts were provided with The District's original response. A copy is attached.
3. In regards to The District paying for MHSAA state passes for three Elementary School Principals; the District does not concur. The District's Elementary Principals are required to perform the same administrative duties at away events as High School and Middle School Principals due to all of the schools being K-12 attendance centers.

Corrective Action Plan:

- A.
 1. The District will put the section on page 7 of the Employee Handbook regarding Admission to Activities into board policy.
 2. School Board members are now required to purchase MHSAA state passes directly through DragonFly. No part of the transaction comes through The District other than approval to purchase the pass. There is no corrective action needed.
 3. No corrective action needed.
- B. 1. Kevin Threadgill, Assistant Superintendent, is the contact person for this corrective action.
- C.
 1. Effective beginning fiscal year 2024
 2. This has always been The District's procedures. No effective date is necessary.
- D.
 1. The School Board wants our employees to understand that we need them at the games and other activities to support the teams, their students who are participating or simply attending, and to provide additional help in making sure we have a safe environment for our students, fans, and visitors in attendance. In order for them to attend without incurring an expense, employees and spouses are entitled to attend without charge.

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2. No corrective action is necessary regarding purchasing MHSAA state passes for five Board Members without reimbursement. The District was reimbursed for the passes, and Board members are now required to purchase passes directly through DragonFly.
3. All school administrators, including Elementary Principals, are encouraged to attend and support our teams when they compete, both at home and on the road when possible. Elementary Principals are expected to help when needed and are required to attend some out of town events. When they attend games even if not assigned, they are expected to carry out administrative duties such as making sure the environment is safe, kids are under control, provide assistance to visitors, etc. In our K-12 attendance centers, these Elementary Principals are required to perform the same administrative duties at away events as High School and Middle School Principals. Because their duties are the same; the Elementary Principals are entitled to the same treatment as their fellow Middle School and High School Principals which includes The District purchasing them an MHSAA state pass.

Dr. Chad O'Brian



Superintendent of Education
Monroe County School District