

# NORTH TIPPAAH SCHOOL DISTRICT MISSISSIPPI

## COMPLIANCE REPORT

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

**SHAD WHITE, CFE**  
**State Auditor**

**Stephanie C. Palmertree, CPA, CFE, CGMA**  
**Deputy State Auditor**

**Charlotte L. Duckworth**  
Director, *Compliance Audit Division*



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

March 21, 2023

**Limited Internal Control and Compliance Review Management Report**

North Tippah School District  
20821 Highway 15  
Falkner, Mississippi 38629

Dear Members of the North Tippah School District:

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

1. Strengthen Internal Controls and Ensure Compliance with State Law over Renting District – Owned Housing;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations;
3. Ensure Compliance with State Law over Ratifying Checks;
4. Ensure Compliance with State Law over Approval of Depositories;
5. Ensure Compliance with State Law over Presenting Monthly Financial Reports;
6. Ensure Compliance with State Law over Purchasing;
7. Ensure Compliance with State Law over Purchasing and Supplemental Contracts with Certified Employees;
8. Ensure Compliance with State Law over Travel Reimbursements;
9. Ensure Compliance with State Law over Mississippi High School Activities Association (MHSAA) State Passes;
10. Ensure Compliance with State Law over Statements of Economic Interest;
11. Ensure Compliance with State Law over Obtaining Background Checks;
12. Ensure Compliance with State Law over Spreading Its Budget Public Hearing Upon the Board Minutes;
13. Ensure Compliance with State Law over Publishing Its Budget Synopsis;
14. Ensure Compliance with State Law over Reemployment of Retired Public Employees;
15. Ensure Compliance with State Law over Surety Bonds; and
16. Ensure Compliance with Federal Law over Children's Internet Protection Act (CIPA).

Please review the recommendations and submit a plan to implement them by April 4, 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 **North Tippah 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". The signature is written in a cursive style with a large, stylized 'S' and 'P'.

STEPHANIE PALMERTREE, CPA, CFE, CGMA  
Deputy State Auditor  
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the **North Tippah 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 a certain deficiency in controls that we noted under the heading **OTHER DEFICIENCY**.

In addition, while performing our review, we noted certain instances of noncompliance with State laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**. The Auditor's Office has also made a recommendation for management's consideration that it is not in violation of state law.

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

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## **OTHER DEFICIENCY AND INSTANCE OF NONCOMPLIANCE WITH STATE LAW**

**Finding 1:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over District – Owned Apartment Buildings.

**Internal Control Deficiency:** The Trustees of the School Board is responsible for ensuring the assets of the District are safeguarded at all times. The District's Board of Education may not lease its property for less than the fair market value to current employees. Setting rental payments less than the fair market value would constitute an unlawful donation.

**Applicable State Law:** *Mississippi Attorney General Opinion 1979 WL 41450* states, the office is unaware of any procedure whereby a school district could allow the use of school-owned residential house rent-free or for less than value."

*Mississippi Attorney General Opinion 2015-00433*, states, "School buildings, land, property and other related facilities may be sold, conveyed, leased or otherwise disposed of under *Sections 37-7-471 through 37-7-483*, to any charter school, to any group of persons, ... to enhance property values within the district, or to be used for any similar or related purpose activity... "Assuming the Trustees make this determination, there are other statutory requirements that must also be met. *Section 37-7-471*, likewise requires various factual determinations and findings to be made by the Trustees... Subsection (c) requires that the Trustees find that the use of the school building, land, property or other facility for the purpose it is be ...leased will promote and foster the development and improvement of the community in which it is located and the civic, social, educational, cultural, moral, economic or industrial welfare thereof..." "In determining proper terms, conditions, and considerations, the statute requires the Trustees to do so "in consideration of the benefits which will inure to the school district or the community in which the school ...property ...is located by the use thereof for the purpose for which it is...leased. "Obviously, all of these required determinations and findings are factual issues which must be decided by the

Trustees. *Section 37-7-477* additionally requires that the lease must contain a provision that title to the property “automatically revert to the school district, if such property shall cease to be used for the purpose for which it is leased ...”

**Finding Detail:** During the review of the School District’s apartment buildings, the auditors noted the School District does not have evidence of an appraisal of its one – unit apartment building being rented for **\$350** per month to its employee; therefore, the auditor was unable to determine if the unit are being rented below fair market value.

Failure to obtain the fair market value of the District’s residential homes resulted in the noncompliance with state law and regulations.

**Recommendation:** We recommend the North Tippah School District ensure compliance by obtaining an appraisal of all District owned residential homes before renting to employees to ensure rental payments are no less than the fair market value, as required by state law and regulations.

**District’s Response:** North Tippah has contacted a local real estate expert to find the fair market value of the duplex apartment. At the end of current rental agreement, North Tippah will increase to fair market value price per month. North Tippah will also spread Board approved lease agreement on the Board minutes.

**Repeat Finding:** No.

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**Finding 2:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations.

**Internal Control Deficiency:** Management is responsible for ensuring that the assets of the District are safeguarded and transactions are properly documented in the District’s financial records. A critical aspect outstanding checks to the balance per bank statement to reconcile to the amount of cash that is listed on the general ledger of the District to what is recorded at the bank. The reconciliation process enables the Business Office to make adjusting journal entries to correct any mistakes or unrecorded items in the District’s financial records.

**Applicable State Law:** *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 review of the School District’s bank reconciliations, the auditors noted two bank accounts were not properly reconciled to the general ledger’s cash balance resulting in a difference totaling **(\$619,460)**:

- District Maintenance Fund – **(\$586,074)**; and
- North Tippah Lunchroom Fund – **(\$33,386)**.

Failure to record all transactions in the general ledger and properly reconcile bank statements could result in the misstatement of the District’s financial statements, errors, or fraud occurring without being detected in a timely manner.

**Recommendation:** We recommend the North Tippah School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure all bank statements are reconciled timely and properly to the District’s general ledger. We also recommend management reconcile bank accounts monthly to the general ledger by each fund in order to effectively and timely account for any variance from the District’s book balances.

**District’s Response:** Due to year end closing after bank reconciliation, reconciliation has been corrected and documented.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 3:** The School District Should Ensure Compliance with State Law over Ratifying Checks By Individuals Other Than the Superintendent.

**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 auditor noted the Principals at each school location disbursed checks prior to the Board’s approval. All disbursements were not ratified by the School Board until the next monthly scheduled Board meeting.

Failure to ensure disbursements made by Principals were Board approved prior to disbursement could result in fraud or misappropriation of public monies and resulted in noncompliance with state law and regulations.

**Recommendation:** We recommend the North Tippah School District ensure compliance by assuring the Board authorizes all payments prior to disbursing the monies by individuals allowed by state law and regulations.

**District’s Response:** As of July 1, 2022, North Tippah became a Centralized District. No checks are being written at the school level.

**Repeat Finding:** No.

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**Finding 4:** The School District Should Ensure Compliance with State Law over the Approval of Depositories.

**Applicable State Law:** *Mississippi Ethics Opinion 17-075-E* and *12-102-E* provides that a Board Member has a financial interest directly or indirectly must recuse himself or herself from any Board action which would benefit their bank.

*Section 37-7-333, Mississippi Code Annotated (1972)*, states *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 1<sup>st</sup> 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... In the event a bank submits a bid or offer to a school district to act as a depository for the district and such bid or offer, if accepted, would result in a contract in which a member of the school board would have a direct or indirect interest, the school board should not open or consider any bids received. The superintendent of schools shall submit the matter to the State Treasurer, who shall have the authority to solicit bids, select a depository or depositories, make all decisions and take any action within the authority of the school board under this section relating to the selection of a depository or depositories.”

**Finding Detail:** During the review of the School District’s depositories and related party questionnaires, the auditors noted the following exceptions:

- The District’s funds were held in Peoples Bank for fiscal years 2018 to 2020; however, the Board did not approve this depository until May 13, 2021; and
- One Board member’s spouse is a teller for Peoples Bank. This gives the Board member a direct financial interest; however, the Board member voted to approve Peoples Bank as a depository. The District should have submitted the depository bids to the State Treasurer for approval, as required by state law and regulations.

Failure to submit depository bids to the State Treasury Office for approval due to direct financial interest and to hold funds in an Board – approved depository resulted in noncompliance with *Mississippi Code Section 37-7-333* and *Mississippi Ethics 17-075-E* and *12-102-E*.

**Recommendation:** We recommend the North Tippah School District ensure compliance by submitting bids for its depository to the State Treasurer’s office if Board members have a direct or indirect interest. Also, the School Board should ensure to approve all depositories where District funds are held, as required by state law and regulations.

**District’s Response:** North Tippah will request new bids for depository immediately to have ready for the Fiscal year 2024. We will send the sealed bid to the State Treasury Office for approval upon receipt of all bids.

**Repeat Finding:** No.

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**Finding 5:** The School District Should Ensure Compliance with State Law over Monthly Financial Reports.

**Applicable State Law:** *Section 37-9-18(1)(a), Mississippi Code Annotated (1972)*, states, “The State Board of Education shall promulgate rules and regulations concerning the type of financial reports required to be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted.”

*Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board* states that, “at minimum, the Superintendent should provide reconciled bank statements, a statement of revenues and expenditures, current budget status, a cash flow statement by month, and a combined balance sheet or current fund equity balances.” The policy further states, “The financial reports shall be listed as an agenda item for discussion at each regularly scheduled meeting of the local school board. The minutes of the local school board meeting shall reflect that the financial reports were discussed. Each board member present shall be provided a copy of all required financial reports.



A copy of all required financial reports shall be included in the official minutes of the board meeting at which the reports were discussed.”

*Mississippi Public School Accountability Standards, Process Standards*, prescribed by the Mississippi Department of Education, states, “The most recent annual financial audit report of the school district, as conducted under the guidelines of the Office of the State Auditor, verifies the local school board has received, reviewed and discussed, as reflected in official minutes of the regularly scheduled monthly meeting, the financial reports required by state law and/or the State Board of Education. *Miss. Code Ann. § 37-9-18(1), § 37-37- 7(2)(e), § 37-37-13, Miss. Admin. Code 7-3: 71.3, State Board Policy Chapter 71, Rule 71.3.*”

**Finding Detail:** During the review of the School District’s monthly financial reports, the auditors noted the July 2020 and March 2021 financial statements were not presented to the Board by the end of the subsequent month nor were they spread upon its official minutes.

Failure to comply with the financial reporting requirements established by the State Board of Education constitutes a violation of the *Mississippi Public School Accountability Standards*. Additionally, presenting false or inaccurate information to the Board could lead to the School Board not being appropriately and timely informed of the District’s financial status, which would influence decisions made by the Board concerning claims.

**Recommendation:** We recommend the North Tippah School District ensure compliance by assuring all required financial reports are presented to the Board and spread upon the minutes at the regular school board meeting each month, as required by state law and regulations.

**District’s Response:** The School District will ensure that all reports are submitted online as for easier access. The District will also ensure that documents are presented to the Board in a timely manner.

**Auditor’s Note:** As noted above, the financial reports must be spread upon the official minutes of the School Board monthly. Preservation of the financial reports in a separate binder does not meet the requirements of state law and State Board of Education regulations.

**Repeat Finding:** No.

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**Finding 6:** The School District Should Ensure Compliance with State Law over Purchasing Procedures.

**Applicable State Law:** *Section 31-7-13(b), Mississippi Code Annotated. (1972)*, states, “Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained...The term "competitive written bid" shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor's letterhead or identifiable bid form and signed by authorized personnel representing the vendor. “Competitive” shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids.”

**Finding Detail:** During the review of School District’s purchasing procedures, the auditors noted the following exceptions:

- Two quotes obtained for a 10– ton gas package were from the fax number of Conerly Heating & Air Conditioning, Inc.:
  - Conerly Heating & Air Conditioning - **\$9,700;**

- Daniel Heating and A/C - **\$10,250**; and
- The second quote for a vendor purchase was received after the invoice date, totaling **\$18,936**.

Failure to follow state purchasing procedures could result in fraud or misappropriation of public monies.

**Recommendation:** We recommend the North Tippah School District ensure compliance by assuring all purchase procedures are being followed and obtained, as required by state law.

**District's Response:** The Staff member that gathered these two quotes retired in June of 2021. North Tippah will improve following purchasing guidelines.

**Repeat Finding:** No.

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**Finding 7:** The School District Should Ensure Compliance with State Law over Purchasing and Supplemental Contracts with Certified Employees.

**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 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."

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

**Finding Detail:** During the review of the School District's Board minutes and personnel files, the auditor noted the following exceptions:

- Three certified teachers were paid for technology hours, administrator teacher training, and curriculum development without signed or approved supplemental contracts, totaling **\$1,658**; and
- One certified teacher was paid for waxing floors; however, there was no evidence of a contract or bids/quotes prior to the performance of services, totaling **\$5,300**.

Failure to implement adequate controls, policies, and procedures in regards to supplemental salaries could result in a misappropriation of public funds. Also, failure to obtain bids/quotes for services in excess of **\$5,000** resulted in noncompliance with state laws and regulations.

**Recommendation:** We recommend the North Tippah School District ensure compliance by assuring policies and procedures are implemented and followed regarding the approval of supplement pay amounts and authorization of work to be completed before an employee performs any work for remuneration. Also, the School District should ensure its purchases follow state law and regulations.

**District's Response:** School District will ensure compliance by assuring policies and procedures are implemented and followed by Board approval of supplement and authorizations of work is completed before the employee performs any work for payment.

**Auditor's Note:** The District should also consult with the *Mississippi Ethics Department* before hiring an employee as a vendor.

**Repeat Finding:** No.

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**Finding 8:** The School District Should Ensure Compliance with State Law over Travel Reimbursements.

**Applicable State Law:** *Section 25-3-41(4), Mississippi Code Annotated (1972)*, states, "In addition to the foregoing, a public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the travel, subject to limitations placed on meals for intrastate and interstate official travel by the Department of Finance and Administration, provided, that the Legislative Budget Office shall place any limitations for expenditures made on matters under the jurisdiction of the Legislature. The Department of Finance and Administration shall set a maximum daily expenditure annually for such meals and shall notify officers and employees of changes to these allowances immediately upon approval of the changes."

*School Board Policy, Section D, Policy DJD – Expense Reimbursements*, states, "... Administrative personnel and other who has first been authorized by the superintendent to travel in the performance of their duties shall be advance or reimbursed their expenses by the school district for such travel as indicated below: For each mile actually and necessarily traveled in the employees' automobile or other private motor vehicle, the same rate of pay per mile as set by the Mississippi Department of Finance and Administration. ...Employees shall be reimbursed for other actual expenses such as meals, lodging, other necessary expenses incurred in the course of such travel, subject to limitation placed on meals for intrastate and interstate official travel by the Mississippi Department of Finance and Administration and rules and regulation adopted by the Mississippi Department of Audit."

**Finding Detail:** During the review of the School District's travel reimbursements, the auditors noted the following exceptions out of 15 tested:

- Eleven travel vouchers did not include individual meal amounts, as required by the District's Board policy. The vouchers only listed **\$46** daily for meals;
- Five travel vouchers did not have evidence of travel destinations; therefore, the auditors could not verify the purpose of the travel; and
- Two travel vouchers were not signed prior to the District processing the reimbursement for payment.

Inadequate controls surrounding the District's reimbursements could result in waste, fraud, and abuse of public funds, and resulted in noncompliance with state law.

**Recommendation:** We recommend the North Tippah School District ensure compliance by assuring travel reimbursements are as required by state law and its Board policy.

**District's Response:** The School District will ask the School Board to examine the present travel policy and make adjustment as needed. The District will also see that all employees are submitting documentation according to the Board approved policies. The District will make sure auditors are presented with the needed documentation, in the future.

**Repeat Finding:** No.

**Finding 9:** The School District Should Ensure Compliance with State Law over the Purchase of Mississippi High School Activity Association (MHSAA) State Passes.

**Applicable State Law:** *Mississippi 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 District paid for Mississippi High School Activity Association (MHSAA) state passes for the following 19 District employees without being reimbursed, totaling **\$570**:

- Five Board members;
- Central Office Front Desk employee;
- Food Service Director’s Assistant;
- Business Manager;
- Payroll Clerk;
- Federal Program Director;
- Director of Food Service and Transportation;
- Counselor; and
- Seven District Employees’ spouses.

Failure to be reimbursed for the purchase of MHSAA state passes for District employees other than Game Administrators, Coaches, Superintendent, Athletic Director, and High School and Middle School Principals resulted in an illegal donation. Additionally, the purchase of passes for spouses of District employees is considered and illegal donation.

**Recommendation:** We recommend the North Tippah School District ensure compliance over game admissions by implementing procedures in regards to the payment of MHSAA state passes for District personnel to avoid making an illegal donation to public officials or servants.

**District’s Response:** North Tippah will ensure that all individuals receiving state passes fall under the MHSAA guidelines and ensure that the District is reimbursed for any funds used to purchase passes according to the purchase compliance guidelines of Mississippi.

**Auditor’s Note:** Although the MHSAA guidelines allow for the District to purchase state passes for certain individuals; their guidelines do not supersede the *Mississippi Constitution*. Therefore, if the employee or official receiving the state pass does not meet the requirements listed above, the purchase of the passes must be reimbursed to the District, or it could result in an illegal donation. Additionally, MHSAA state passes should not be purchased with public funds for individuals that are not employees of the District.

**Repeat Finding:** No.

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**Finding 10:** 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 review of the School District’s Statements of Economic Interest, the auditors noted one Board member filed the Statement of Economic Interest on October 20, 2021, which is subsequent to the May 1<sup>st</sup> deadline.

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

**Recommendation:** We recommend the North Tippah School District ensure compliance by assuring School Board members file the Statement of Economic Interest annually, no later than May 1<sup>st</sup> of each year that such official holds office, regardless of the duration.

**District’s Response:** North Tippah School District will ensure that future Board Members are aware and complete required filings.

**Repeat Finding:** No.

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**Finding 11:** The School District Should Ensure Compliance with State Law over Obtaining Background Checks.

**Applicable State Law:** *Section 37-9-17(2), Mississippi Code Annotated (1972)*, states, “...current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board or at such local school district prior to July 1, 2000.”

**Finding Detail:** During the testing of the School District’s personnel files, the auditors noted the following exceptions out of the 20 tested: Two certified teachers’ personnel files did not have evidence of a background check.

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

**Recommendation:** We recommend the North Tippah School District ensure compliance by obtaining and maintaining criminal background checks in District employees’ personnel files.

**District's Response:** The two instances where there was no evidence of a background check were prior to current staff, will fix going forward.

**Repeat Finding:** No.

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**Finding 12:** The School District Should Ensure Compliance with State Law over Spreading Its Budget Public Hearing Upon the Board Minutes.

**Applicable State Law:** *Section 25-41-11, Mississippi Code Annotated (1972)*, states, "Minutes shall be kept of all meetings of a public body, whether in open or executive session, showing the members present and absent; the date, time and place of the meeting; an accurate recording of any final actions taken at such meeting; and a record, by individual member, of any votes taken; and any other information that the public body requests be included or reflected in the minutes."

**Finding Detail:** During the review of the School District's Board minutes, the auditors noted there were no Board minutes kept from the Budget Public Hearings.

Failure to maintain Board minutes from the Budget Public Hearings resulted in loss of transparency between the District and the public and noncompliance with state law.

**Recommendation:** We recommend the North Tippah School District ensure compliance by assuring detailed minutes are recorded and maintained for all public hearings, as required by state law.

**District's Response:** The School District will ensure the Board minutes are taken and published for the budget public hearing going forward.

**Repeat Finding:** No.

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**Finding 13:** The School District Should Ensure Compliance with State Law over Publishing Its Budget Synopsis.

**Applicable State Law:** *Section 37-61-9(3), Mississippi Code Annotated (1972)*, states, "Prior to the adoption of a budget pursuant to this section, the school board of each school district shall hold at least one (1) public hearing to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget. The public hearing shall be held at least one (1) week prior to the adoption of the budget with advance notice. After final adoption of the budget, a synopsis of such budget in a form prescribed by the State Department of Audit shall be published in a newspaper having general circulation in the school district on a date different from the date on which the county or any municipality therein may publish its budget."

**Finding Detail:** During the review of the School District's budgeting, the auditors noted the District failed to publish a synopsis of its original budget for fiscal year 2021.

Failure to publish the synopsis of the 2021 original budget resulted in noncompliance with state law.

**Recommendation:** We recommend the North Tippah School District ensure compliance by publishing its synopsis of its original budget annually, as required by state law.

**District's Response:** The School District has published since the audit, and will continue to ensure that all budget synopses is published according to state law.

**Repeat Finding:** No.

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**Finding 14:** 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.”

*Board Regulation 34, Section 105*, prescribed by the Public Employees Retirements System of Mississippi, 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 auditors noted all eight Form 4Bs reviewed did not have evidence of being filed with PERS.

Failure to file the Form 4B could result in overpayment of retiree and the School District being assessed penalties by PERS, and resulted in noncompliance with state law and regulations.

**Recommendation:** We recommend the North Tippah School District ensure compliance by properly filing Form 4Bs, as required by state law and regulations.

**District’s Response:** Will do our best to reduce instances of this.

**Repeat Finding:** Yes, 001-20.

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**Finding 15:** The School District Should Ensure Compliance with State Law over Surety Bonds.

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

*Section 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 office of the clerk of the chancery court of the county...”

*Section 37-9-27, Mississippi Code Annotated (1972)*, states, “The superintendent of any school district, before entering upon the duties of his office, shall furnish a good and sufficient surety bond in the penal sum of One Hundred Thousand Dollars (\$100,000.00), with sufficient surety. Such bond shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located, and shall be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund.”

*Section 37-39-21, Mississippi Code Annotated (1972)*, states, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety.”

*School Board Policy, Section D, Fiscal Management, Policy Code DJEA, Purchasing Authority*, states, “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 categories and purchasing law.”

**Finding Detail:** During the review of the School District’s surety bonds, the auditors noted the following exceptions:

- Bonds were not filed in the Chancery Clerk’s office for the following four positions:
  - Superintendent;
  - Two Purchasing Agents;
  - One Principal;
- The Superintendent’s bond was a continuation certificate; instead of an official bond; and
- The Business Manager was not bonded as a Purchasing Agent, as designated by the District’s Board Policy.

A “continuation certificate” is a document that extends the life of the original surety bond. A continuation certificate only covers the current bonding period rather than both the current and previous periods. In the event of fraud or misappropriation of funds, having continuation certificates instead of new bonds could limit the amount available for recovery if the loss occurred over multiple terms.

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 North Tippah School District ensure compliance by securing new bonds every four years, concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee as statutorily required. Additionally, the Board should ensure all bonds for employees are filed with the Chancery Clerk’s office.

**District’s Response:** These corrections will be made going forward. Also, we are in the process of correcting these.

**Repeat Finding:** No.

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## INSTANCE OF NONCOMPLIANCE WITH FEDERAL LAW

**Finding 16:** The School District Should Ensure Compliance with Federal Law over Children Internet Protection Act.

**Applicable Federal Law:** *Title 47, United States Code 254(h)(5)(B)(i)*, states, “A certification under this subparagraph is a certification that the school, school board, local educational agency, or other authority with responsibility for administration of the school is enforcing a policy of Internet safety for minors that includes monitoring the online activities of minors and the operation of a technology protection measure with respect to any of its computers with Internet access that protects against access such computers to visual depictions that are—obscene, child pornography; or harmful to minors; is enforcing the operation of such technology protection measure during any use of such computers by minors.



**Finding Detail:** During the review of the School District's technology procedures, the auditors noted that the District's Technology Protection Measure (TPM) failed to fully filter the results and block inappropriate images.

Failure to accurately block anything that is obscene, child pornography, or harmful to minors results in noncompliance with federal law.

**Recommendation:** We recommend the North Tippah School District ensure compliance by assuring its filtering software is adequate and efficiently blocks child pornography, and content that is obscene and harmful to minors, as required by federal law.

**District's Response:** The District was CIPA compliant in fiscal year 2021 and the current filter Linewize Family Zone is considered above CIPA compliance. Google Safe Search was activated also. Documentation is provided. The District does not agree with this finding, nor do the networking staff for North Tippah.

**Auditor's Note:** At the time of testing, the image search did not fully block inappropriate images.

**Repeat Finding:** No.

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## **OTHER RECOMMENDATIONS**

Office of the State Auditor recommends that School Board consider obtaining surety bonds for the following: As noted during procedures performed, the Business Manager, one Principal, and two Purchasing Agents are covered under a "continuation certificate". A "continuation certificate" is a document that extends the life of the original surety bond. A "continuation certificate" only covers the current bonding period rather than both the current and previous periods. Failure to have a bond in place for a specific term of employment could limit the amount available for recovery if a loss occurred over multiple terms.

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**End of Report**



# NORTH TIPPAH SCHOOL DISTRICT



S. JOHNSON SMITH, SUPERINTENDENT  
20821 Hwy 15, Falkner, MS 38629  
Phone: 662-837-8450 Fax: 662-837-8455

## COMPLIANCE REVIEW FINDINGS

April 17, 2023

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

Dear Mr. White,

This letter is to reflect the findings and responses to the November 2021 audit performed by OSA.

### AUDIT FINDINGS:

**Finding 1: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over District – Owned Apartment Buildings.**

**District's Response:** North Tippah has contacted a local real estate expert to find the fair market value of the duplex apartment. At the end of current rental agreement, North Tippah will increase to fair market value price per month. North Tippah will also spread Board approved lease agreement on the Board minutes.

**District corrective action:** *North Tippah has contacted a Local Real Estate Expert to find the Fair Market Value for the duplex apartment. At the end of current rental agreement, North Tippah will increase to Fair Market Value price per month. North Tippah will also spread Board Approved lease agreements on the board minutes.*

**Contact person responsible:** *S. Johnson Smith and Annette McCoy*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 2:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations.

**District's Response:** Due to year end closing after bank reconciliation, reconciliation has been corrected and documented.

**District corrective action:** *District will insure closing re-reconciliations are presented to the board immediately following year-end closing.*

**Contact person responsible:** *S. Johnson Smith and Annette McCoy*

**Corrective action date completion:** *Action will be noted and taken immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 3:** The School District Should Ensure Compliance with State Law over Ratifying Checks By Individuals Other Than the Superintendent.

**District's Response:** As of July 1, 2022, North Tippah became a Centralized District. No checks are being written at the school level.

**District corrective action:** *As of July 1, 2022, North Tippah became a centralized district. No checks are being written at the school level.*

**Contact person responsible:** *S. Johnson Smith and Annette McCoy*

**Corrective action date completion:** *July 1, 2022*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 4:** The School District Should Ensure Compliance with State Law over the Approval of Depositories.

**District's Response:** North Tippah will request new bids for depository immediately to have ready for the Fiscal year 2024. We will send the sealed bid to the State Treasury Office for approval upon receipt of all bids.

**District corrective action:** *North Tippah will request new bids for Depository Immediately to have ready for the FY24 School Year. We will send the sealed bid to the State Treasury Office for approval upon receipt of all bids.*

**Contact person responsible:** *S. Johnson Smith and Annette McCoy*

**Corrective action date completion:** *June 2023*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 5:** The School District Should Ensure Compliance with State Law over Monthly Financial Reports.

**District's Response:** The School District will ensure that all reports are submitted online as for easier access. The District will also ensure that documents are presented to the Board in a timely manner.

**District corrective action:** *School District will ensure that all reports are submitted online as for easier access. The district will also insure that documents are presented to the board in a timely manner.*

**Contact person responsible:** *Annette McCoy*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 6:** The School District Should Ensure Compliance with State Law over Purchasing Procedures.

**District's Response:** The Staff member that gathered these two quotes retired in June of 2021. North Tippah will improve following purchasing guidelines.

**District corrective action:** *The school district will insure that all purchasing procedures and guidelines are followed as required by law.*

**Contact person responsible:** *S. Johnson Smith and Annette McCoy*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 7:** The School District Should Ensure Compliance with State Law over Purchasing and Supplemental Contracts with Certified Employees.

**District's Response:** School District will ensure compliance by assuring policies and procedures are implemented and followed by Board approval of supplement and authorizations of work is completed before the employee performs any work for payment.

**District corrective action:** *School District will ensure compliance by assuring policies and procedures are implemented and followed by board approval of supplement and authorizations of work is completed before the employee performs any work for payment.*

**Contact person responsible:** *S. Johnson Smith and Annette McCoy*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 8:** The School District Should Ensure Compliance with State Law over Travel Reimbursements.

**District's Response:** The School District will ask the School Board to examine the present travel policy and make adjustment as needed. The District will also see that all employees are submitting documentation according to the Board approved policies. The District will make sure auditors are presented with the needed documentation, in the future.

**District corrective action:** *The school district will ask the school board to examine the present travel policy and make adjustments as needed. The district will also see that all employees are submitting documentation according to the board-approved policies. The district will make sure auditors are presented with the needed documentation in the future.*

**Contact person responsible:** *S. Johnson Smith and Annette McCoy*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 9:** The School District Should Ensure Compliance with State Law over the Purchase of Mississippi High School Activity Association (MHSAA) State Passes.

**District's Response:** North Tippah will ensure that all individuals receiving state passes fall under the MHSAA guidelines and ensure that the District is reimbursed for any funds used to purchase passes according to the purchase compliance guidelines of Mississippi.

**District corrective action:** *North Tippah insure that all individuals receiving state passes fall under the MHSAA guidelines and ensure that the district is reimbursed for any funds used to purchase passes according to the purchasing compliance guidelines of Mississippi.*

**Contact person responsible:** *S. Johnson Smith and Annette McCoy – Check Writing*

*Principals and Athletic Directors – Enrollment for Passes through Dragonfly*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 10:** The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

**District's Response:** North Tippah School District will ensure that future Board Members are aware and complete required filings.

**District corrective action:** *The school district has and will continue to advise the school board members on the timely importance of submitting the Statement of Economic Interest.*

**Contact person responsible:** *S. Johnson Smith and Annette McCoy*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 11:** The School District Should Ensure Compliance with State Law over Obtaining Background Checks.

**District's Response:** The two instances where there was no evidence of a background check were prior to current staff, will fix going forward.

**District corrective action:** *The school district will ensure that all employees have a completed background check.*

**Contact person responsible:** *S. Johnson Smith and Annette McCoy*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 12:** The School District Should Ensure Compliance with State Law over Spreading Its Budget Public Hearing Upon the Board Minutes.

**District's Response:** The School District will ensure the Board minutes are taken and published for the budget public hearing going forward.

**District corrective action:** *The school district will ensure that board minutes are taken and published for the budget public hearings going forward.*

**Contact person responsible:** *Annette McCoy*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 13:** The School District Should Ensure Compliance with State Law over Its Budget Synopsis.

**District's Response:** The School District has published since the audit, and will continue to ensure that all budget synopsis is published according to state law.

**District corrective action:** *The school district has published since the audit, and will continue to ensure that all budget synopsis are published according to state law.*

**Contact person responsible:** *Annette McCoy*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 14:** The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

**District's Response:** Will do our best to reduce instances of this.

**District corrective action:** *The district will devise a plan to have retired employees that are returning to work complete a retiree reemployment packet in a timely manner.*

**Contact person responsible:** *Annette McCoy & Payroll department*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 15:** The School District Should Ensure Compliance with State Law over Surety Bonds.

**District's Response:** These corrections will be made going forward. Also, we are in the process of correcting these.

**District corrective action:** *The district will review, revise, request, and file all Surety bonds according to state law. Corrective steps have been made and will continue.*

**Contact person responsible:** *Annette McCoy*

**Corrective action date completion:** *Immediately*

**Reason why corrective action is not necessary, if applicable:** *N/A*

**Finding 16:** The School District Should Ensure Compliance with Federal Law over Children Internet Protection Act.

**District's Response:** The District was CIPA compliant in fiscal year 2021 and the current filter Linewize Family Zone is considered above CIPA compliance. Google Safe Search was activated also. Documentation is provided. The District does not agree with this finding, nor do the networking staff for North Tippah.

**District corrective action:** *The District is and was fully CIPA compliant in FY21 and the current filter Linewize Family Zone is considered above CIPA compliance. Google Safe Search was activated also. Documentation has been provided. North Tippah will continue to use CIPA compliant filtering software that is adequate and efficiently blocks child pornography, and content that is obscene and harmful to minors, as required by federal law.*

**Contact person responsible:** *S. Johnson Smith, IT person, and Networking Contractors*

**Corrective action date completion:** *Completed and continuing*

**Reason why corrective action is not necessary, if applicable:** *N/A*

Respectfully,



S. Johnson Smith