

PHILADELPHIA PUBLIC SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

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

SHAD WHITE
State Auditor

Stephanie C. Palmertree, CPA, CGMA
Deputy State Auditor
Charlotte L. Duckworth
Director, *Compliance Audit Division*



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



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

Limited Internal Control and Compliance Review Management Report

Philadelphia Public School District
248 Byrd Avenue
Philadelphia, MS 39350

Members of the Philadelphia Public School Board:

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

1. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
2. Ensure Compliance with State Law over Payment of Invoices;
3. Ensure Compliance with State Law over Financial Statements;
4. Ensure Compliance with State Law over Statements of Economic Interest;
5. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
6. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by **November 21, 2022**. 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 Philadelphia Public 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 Philadelphia Public 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 deficiency* in internal control. These matters are noted under the heading **SIGNIFICANT DEFICIENCY**.

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

SIGNIFICANT DEFICIENCY

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

Internal Control Deficiency: The *Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread-way Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets to be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Finding Detail: Based on the review of the School District's activity fund receipts and deposits, the auditor noted the following exceptions out of 24 tested:

- One ticket count form did not have an ending ticket number noted; therefore, the auditor could not verify the number of actual tickets sold; and
- Two game deposits were made between 17 to 32 days after receipt of monies.

Inadequate internal controls related to activity funds revenue collections, properly receipting, and depositing could result in a loss of assets and improper revenue recognition.

Recommendation: We recommend Philadelphia Public School District strengthen controls by enforcing policies and procedures to ensure receipts from all activities are safeguarded, adequately recognized, and recorded

District's Response: The district will communicate with principals and the athletic director to stress the importance of accuracy of the ticket sales revenue and the number of tickets sold.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Ensure Compliance with State Law over Payment of Invoices.

Applicable State Law: *Section 31-7-305(2), Mississippi Code Annotated (1972)*, states, “All public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks no later than forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods or services.”

Finding Detail: During the review of the School District’s purchasing, the auditor noted two invoice payments were made more than 45 days after receipt.

Failure to pay invoices 45 days after being receipted resulted in non-compliance with state laws and regulations.

Recommendation: We recommend the Philadelphia Public School District ensure compliance by assuring all invoices are paid within 45 days of being receipted within the District.

District’s Response: World Class Athletics – invoices went out to the coaches and were not turned into Accounts Payable in a timely manner. Pryor Morrow – invoice was emailed to Business Manager that had already left.

Repeat Finding: No.

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

Applicable State Law: *Section 37-9-18, Mississippi Code Annotated (1972)*, requires all financial reports be submitted to the local school board. According to the board’s policy, financial reports that shall be submitted to the Board includes reconciled bank statements, statement of revenues and expenditures, current budget status, monthly cash-flows, and combined balance sheet or current fund equity balances at each regular monthly school board meeting. 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 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 Board minutes, the auditor noted the District’s bank reconciliations were not included within the monthly financial statements presented to the School Board for fiscal year 2021.

Failure to submit a complete set of financial reports to the School Board monthly could result in the loss or misappropriation of public funds.

Recommendation: We recommend Philadelphia Public School District ensure compliance by assuring a complete set of financial reports are submitted to the School Board monthly, as required by state law.

District's Response: The business manager reconciled the bank statements each month for the FY21 year and present all financial statements to the board. As recommended by OSA, the business manager will present to the board the bank reconciliations with a listing of all outstanding checks and outstanding deposits.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

Applicable State Law: *Section 25-4-25, Mississippi Code Annotated (1972)*, provides that: "Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a) Persons elected by popular vote..." *Section 25-4-29(1), Mississippi Code Annotated (1972)*, provides that "Required statements hereunder shall be filed as follows: a) Every incumbent public official required....to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration...2) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00) shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer's county of residence..."

Finding Detail: During the testing of the School District's Statements of Economic Interest, the auditor noted the following exceptions:

- Two Board members had not filed a Statement of Economic Interest since 2018; and
- There was no evidence of two Board members filing the Statement of Economic Interest in prior years.

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

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

District's Response: The district will implement a procedure to ensure the Statement of Economic Interest forms are completed and filed no later than May 1st of each year.

Repeat Finding: No.

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

Applicable State Law: *Section 25-11-127(4), Mississippi Code Annotated (1972)*, states, "Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment."

Mississippi Public Employment Retirement System (PERS) Board Regulation 34, Section 105, states, "The lawfully employ a PERS service retiree under Section 103, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board."

Failure by the employer to timely notify PERS may result in the assessment of \$300 penalty per occurrence payable by the employer.”

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

- One retiree was paid more than the allowed salary by PERS, totaling **\$857**;
- One Form 4B did not have evidence of being filed within five days of rehire; and
- Seven Form 4Bs were not submitted to PERS within five days of rehire.

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

Recommendation: We recommend the Philadelphia Public School District ensure compliance with state law and PERS by properly completing the required Form 4Bs and submitting the forms to PERS within five days from the date of reemployment.

District’s Response: The district will implement procedures for retirees to complete Form 4B timely and the district will submit the form within five (5) days to the Public Employees’ Retirement System.

Repeat Finding: No.

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

Applicable State Law: *Section 25-1-15(4), Mississippi Code Annotated (1972)*, states, “A new bond in an amount not less than that required by law for public employees shall be secured at the beginning of each new term of office of the public or appointed official by whom they are employed, if applicable, or at least every four (4) years concurrent with the normal election cycle of the Governor.”

Section 37-9-31, Mississippi Code Annotated (1972), states, “All school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000), with sufficient surety.”

Section 37-39-21, Mississippi Code Annotated (1972), states, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000.00), with sufficient surety.”

Board Policy Section D, Policy Code DJEA, Purchasing Authority, states that the School Board designates the Superintendent and Business Manager as Purchasing Agents with the authority to negotiate the purchase of commodities and services for the operation of the school district within the limits of its budget and state purchasing laws.

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

- One Principal’s and Business Manager’s bonds were indefinite; and
- The Business Manager was not bonded as a Purchase Agent, as required by Board Policy.

Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds.

Recommendation: We recommend the Philadelphia Public School District ensure compliance by securing new bonds are secured to the School District 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.

District's Response: The district will ensure the new bonds are secured for four years concurrent for the two individuals with indefinite bonds and the individuals whose bond is not on our schedule.

Repeat Finding: No.

End of Report



PHILADELPHIA PUBLIC SCHOOL DISTRICT

Dr. Shannon Whitehead, Superintendent of Education
Lakesha Brown-Meeks, Director of Business and Finance

248 Byrd Avenue • Philadelphia, MS 39350 • 601-656-2955 • Fax 601-656-3141

COMPLIANCE REVIEW FINDING

November 14, 2022

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

Dear Mr. White,

As required by 2 CFR 200.511(c), the Philadelphia Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2021:

AUDIT FINDINGS:

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

District's Response: The District will communicate with principals and athletic director to stress the importance of accuracy of the ticket sales revenue and the number of tickets sold.

Corrective Action: The District will review board policy DK with all appropriate personnel and will include all ticket records and supporting documentation from all activities.

Finding 2: The School District Should Ensure Compliance with State Law over Payment of Invoices.

District's Response: World Class Athletics- invoiced went out to the coaches and were not turned into Account Payable in a timely manner. Pryor Morrow – invoice was emailed to the Business Manager that had already left.

Corrective Action: The District will review board policy DJE with all appropriate personnel and will comply with all applicable provisions of the *Mississippi Code of 1972 Annotated including but not limited to § 31-7-305* as amended, and with all other applicable federal and state laws.

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

District's Response: The business manager reconciled the bank statements each month for the FY 21 year and present all financial statements to the board.

Corrective Action: The District will review board policy DIB and the business manager will present to the board the bank reconciliations with a listing of all outstanding checks and outstanding deposits monthly.

Finding 4: The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

District's Response: The district will implement a procedure to ensure the Statement of Economic Interest forms are completed and filed no later than May 1st of each year.

Corrective Action: The District will ensure all board members completes and files the Statement of Economic Interest forms in a timely manner and in compliance with *Mississippi Code Annotated (1972), Section 25-4-25 and 25-4-29(1)*.



PHILADELPHIA PUBLIC SCHOOL DISTRICT

Dr. Shannon Whitehead, Superintendent of Education
Lakesha Brown-Meeks, Director of Business and Finance

248 Byrd Avenue • Philadelphia, MS 39350 • 601-656-2955 • Fax 601-656-3141

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

District's Response: The District will implement procedures for retirees to complete Form 4B timely and the district will submit the form within five (5) days to the Public Employees' Retirement System.

Corrective Action: The District will ensure compliance with state law and PERS by completing and submitting form 4B within five days from the date of reemployment.

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

District's Response: The District will ensure the new bonds are secured for four years concurrent for the two individuals with indefinite bonds and the individuals whose bond is not on our schedule.

Corrective Action: The District will review board policy DH and ensure all appropriate personnel is properly bonded.

Sincerely,

Lakesha Meeks

Lakesha Meeks
Director of Business and Finance

Shannon Whitehead, Ed.D.

Shannon Whitehead, Ph.D.
Superintendent