

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT



**COMPLIANCE REPORT**

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**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT**

For the year ended *June 30, 2023*

**SHAD WHITE, CFE**  
State Auditor

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





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

**June 21, 2024**

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

Poplarville Special Municipal School District  
302 South Julia Street  
Poplarville, MS 39470

Members of the Poplarville School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the **Poplarville Special Municipal Separate School District** for the Fiscal Year **2023**. In these findings, the Auditor's Office recommends the **Poplarville Special Municipal Separate School District**:

1. Strengthen Internal Controls Regarding Bank Reconciliations;
2. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Procedures and Approval;
3. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Sixteenth Section Payments;
4. Ensure Compliance with State Law Regarding Board Member Ethics and Nepotism;
5. Ensure Compliance with State Law Regarding Statements of Economic Interest (SEIs); and
6. Ensure Compliance with State Law Regarding Sixteenth Section Educable Child Lists.

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 our recommendations enable the **Poplarville Special Municipal Separate 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, reading "Charlotte L. Duckworth".

**CHARLOTTE L. DUCKWORTH**  
Director, *Compliance Audit*  
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the **Poplarville Special Municipal Separate School District** for the year ended **June 30, 2023**.

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 *significant deficiencies* in internal control. These matters are noted under the headings **SIGNIFICANT DEFICIENCY** and **OTHER DEFICIENCIES**.

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

Terms used in this Report.

OSA- Office of the State Auditor

AGO – Attorney General's Office

DFA – Mississippi Department of Finance Administration

MS AG Op. – *Mississippi Attorney General's Opinion*

COSO - *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission*

District – Poplarville Special Municipal School District

MDEAMSD – Mississippi Department of Education Accounting Manual for School Districts

Section – *Mississippi Code Annotated (1972)*

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## **SIGNIFICANT DEFICIENCY**

**Finding 1:** The District Should Strengthen Internal Controls Regarding 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 of internal controls is to ensure outstanding checks and deposits are balanced per the District's bank statements and reconciled against the amount of cash listed on the District's general ledger. 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.

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

- One activity fund bank reconciliation did not have evidence of the principal's signature as an independent reviewer; and
- Seven bank statements were not properly reconciled to the general ledger's cash balance resulting in a difference totaling **\$2,816**:
  - General Fund: Middle School - **\$192**;

- District Activity Fund (PHS) - \$ 399;
- Athletic Fund - \$587;
- Upper Elementary School Activity Fund - \$361;
- Poplarville High School (CDC) - \$395;
- Lower Elementary School Activity Fund- \$369; and
- Employment Compensation Fund - \$514.

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

**Recommendation:** We recommend the District strengthen internal controls by ensuring all transactions are properly recorded to the District's general ledger and all variances from book balances are accounted for in a timely manner. Also, we recommend the District 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. In addition, banks accounts should be independently reviewed on a regular basis.

**District's Response:** Activity fund outages – Each of the funds were out the amounts that you have listed at June 30, 2023. When we closed out fiscal year 2023, we found that the previous business manager made entries to allocate the activity funds' portion of bank charges but had not moved the money from the funds. She left unexpectedly and must have completed the process. We transferred the funds November 30, 2023 once Donna Nester had completed re-reconciling accounts. The only fund that was a different amount was MSP Activity. You are showing \$192.08, which is the net amount of \$49.08 for bank charges and \$300 for change cash that was miscoded.

**Repeat Finding:** No.

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## OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 2:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Procedures 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, "It shall be the duty of the superintendents 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 from a fund in excess of the resources available within that fund..."*

**Finding Detail:** During the review of District's budgeting, the auditor noted the following exceptions:

- The actual expenditures for Fund 2602 (CTE ESSER II EQPMT GR) exceeded the budgeted expenditures in the amount of \$4,827; and
- The amended 2022-2023 budget included the following six funds reflecting a negative fund balance at year end:
  - School Improvement (2213) - (\$53,614);
  - Cons Admin Cost Pool (2290) - (\$40,090);
  - Improving Teacher Quality (2511) - (\$1,885);
  - ESSER II (2594) - (\$342,324);
  - APR ESSER III (2598) - (\$813,847); and
  - Special Education Grants (2610) - (\$17,227).

The actual fund balances were not negative at June 30, 2023; however, the approval of the fund budgets with ending deficit fund balances could result in the noncompliance with State Law. Also, failure for the District to ensure there are resources for all expenditures could result in deficit fund balances.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by implementing sound 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:** Poplarville School District has implemented internal controls to ensure that budget amendments are used properly so that expenses in any fund are not greater than the budgeted amount for that fund. They did not have a CFO for eight months of the fiscal year audited and it was not handled properly in their absence.

**Repeat Finding:** No.

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**Finding 3:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Sixteenth Section Lease Payments.

**Internal Control Deficiency:** The *COSO* 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.

**Applicable State Law:** *Section 29-3-57*, "...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..."

**Applicable Administrative Guidance:** *MDEAMSD, Section B, Miscellaneous Issues, Subject E., Receipt Files*, "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 supporting documentation for each receipt."

**Finding Detail:** During the review of the District's sixteenth section land leases, the auditor noted there was no evidence for one sixteenth section lease payment totaling **\$4,823** being receipted.

Inadequate internal controls relating to receipting sixteenth section revenue could result in a loss of assets and improper revenue recognition.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by making sure all lease payments are properly receipted, as required by State Law.

**District's Response:** Poplarville School District has internal controls in place that will assure all funds received in the district will be properly receipted and deposited daily. Any funds received for sixteenth section land payments are receipted in a separate receipt book from other district funds. The receipt book will be reconciled to the general ledger monthly.

**Repeat Finding:** No.

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**Finding 4:** The District Should Ensure Compliance with State Law Regarding Board Member Ethics and Nepotism.

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

*Section 37-9-21*, “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.”

**Applicable Administrative Decisions and Guidance:** *Opinion 14-051-E*, “...*Section 25-4-105(1)*, *Miss. Code of 1972*, prohibits a school board member from using his or her official position to obtain or attempt to obtain a pecuniary benefit for his or her relatives. The term relative is defined in *Section 25-4-103(q)* and includes the board member’s child. Therefore, the school board member, if elected cannot participate in any matter which would create a monetary benefit for his or her child. Examples of actions in which board member should not participate include, but are not limited to, the selection or promotion of a relative or adjustments to his or her salary, benefits or other compensation and any other action which is a necessary predicate to the relative’s compensation, and any claims docket or budget from which the relative is paid, including approval of the annual school district budget. A total and complete recusal requires the board member leave the meeting room before the matter comes up for discussion and remain absent until the vote is concluded... Furthermore, any minutes or record of the meeting or other proceeding should state the recusing board member left the room before the matter came before the board and did not return until after the vote...”

**Finding Detail:** During the review of the District's related party memos, the auditor noted the one Board member did not recuse themselves from the vote on the recommendation hire of their son-in-law.

Failure to have the Board member recuse themselves during the hiring recommendations of a relative resulted in noncompliance with State Law and regulations.

**Recommendation:** We recommend the District ensure compliance by assuring all Board members recuse themselves in voting matters related to relatives within the first and third degrees, as required by State Law and regulations. Additionally, this matter has been referred to the Mississippi Ethics Commission.

**District’s Response:** Poplarville School District will ensure that all necessary recusals are performed and documented in the official minutes of the board. The board secretary will review the human resource packet before each board meeting to ensure any related parties to the board that she is aware of, are noted to ensure recusal of that board member at the meeting. She will also poll the board of possible relations before recommendations are presented to ensure any board member meeting the related party criteria recuses themselves and she will ensure the recusal is documented in the official board minutes.

**Repeat Finding:** No.

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**Finding 5:** The District Should Ensure Compliance with State Law Regarding Statements of Economic Interest (SEIs).

**Applicable State Law:** *Section 25-4-25*, in part: “Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: (b) Members of local school boards that administer public funds, regardless of whether such members are elected or appointed.”

*Section 25-4-29(2)*, “Any person who fails to file a statement of economic interest within thirty (30) days of the date the statement is due shall be deemed delinquent by the commission. The commission shall give written notice of the delinquency to the person by United States mail or by personal service of process. If within fifteen (15) days of receiving written notice

of delinquency the delinquent filer has not filed the statement of economic interest, 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. The commission may enforce the judgment for the benefit of the State General Fund for the support of the Mississippi Adequate Education Program in the same manner as is prescribed for other civil judgments."

**Finding Detail:** During the review of the District's SEIs, the auditor noted one Board Member did not file their Statement of Economic Interest by May 1, 2023.

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

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

**District's Response:** Poplarville School District will remind each board member of the May 1<sup>st</sup> submission deadline for the Statement of Economic Interest. In April, the board secretary will take a computer to the meeting so that board members can complete it at that time if they have not previously done so.

**Repeat Finding:** No.

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**Finding 6:** The School District Should Ensure Compliance with State Law Regarding Sixteenth Section Educable Child Lists.

**Applicable State Law:** *Section 29-3-121*, "It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year, as provided by *Section 29-3-119, Mississippi Code Annotated (1972)*."

**Finding Detail:** During the review of the District's educable child lists, the auditor noted the District did not send its educable child letters to Pearl River County School District and Lamar County School District during fiscal year 2023.

Failure to file the educable child lists with the custodial school district could result in forfeiting funds that the District would otherwise be entitled to and resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring all educable child lists are prepared and filed with the Superintendents of each custodial district by December 31<sup>st</sup> of each year, as required by State Law.

**District's Response:** Poplarville School District did not have a CFO for eight months of fiscal year 2023, the year audited. The previous CFO normally compiled the letter and mailed it to the other districts sharing students with us. With her absence, this was missed and the letter was not mailed. We have trained the sixteenth section secretary how to compile the reports and calculate the funds and she will mail the letter annually. This was added to her job duties and will be completed by December 31st of each year. Also, the CFO will be backup this process in the absence of the sixteenth section secretary.

**Repeat Finding:** No.

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**End of Report**