

MISSISSIPPI

Holmes County Consolidated School District

COMPLIANCE REPORT

Limited Internal Control and Compliance Review Management Report
For the year ended *June 30, 2020*

SHAD WHITE
State Auditor

Stephanie C. Palmertree, CPA, CGMA
Director, *Financial and Compliance Audit Division*





STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
Shad White
AUDITOR

December 9, 2020

Limited Internal Control and Compliance Review Management Report

Holmes County Consolidated School District
313 Olive Street
Lexington, Mississippi 39095

Members of the Holmes County Consolidated School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for Holmes County Consolidated School District for the fiscal year 2020. In these findings, the Office of the State Auditor recommends that Holmes County Consolidated School District:

1. Strengthen Board and Superintendent Oversight;
2. Strengthen Internal Controls over Bank Reconciliations;
3. Strengthen Internal Controls over Activity Funds Cash Receipts and Deposits;
4. Strengthen Internal Controls over Credit Card Usage;
5. Strengthen Internal Controls over Travel Reimbursements;
6. Strengthen Internal Controls over Claims Documentation;
7. Ensure Compliance with State Laws over Salary Contracts;
8. Ensure Compliance with State Laws over Relocating Expenses;
9. Ensure Compliance with State Laws over Nepotism;
10. Ensure Compliance with State Laws over Obtaining Quotes for Purchases over \$5,000 but not over \$50,000;
11. Ensure Compliance with State Laws over Amended Budget;
12. Ensure Compliance with State Laws over Its Public Depository Report;
13. Ensure Compliance with State Laws over Financial Reports;
14. Ensure Compliance with State Laws over the Approval of Depositories;
15. Ensure Compliance with State Laws over Ad Valorem Escrows;
16. Ensure Compliance with State Laws over Reemployment of Retired Public Employees;
17. Ensure Compliance with State Laws over Certified Employees;
18. Ensure Compliance with State Laws over Sixteenth Section Annual Trust Report;
19. Ensure Compliance with State Laws over Sixteenth Section Shared Townships;
20. Ensure Compliance with State Laws over Sixteenth Section Educable Child Lists;
21. Ensure Compliance with State Laws over Sixteenth Section Appraisals, Lease Payments, and Taxes;
22. Ensure Compliance with State Laws over Statement of Economic Interest;
23. Ensure Compliance with State Laws over Attending Board Meetings;
24. Ensure Compliance with State Laws over Surety Bonds; and
25. Ensure Compliance with Federal Regulations over Children Internet Protection Act.

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 Holmes County Consolidated 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 and is positioned above the typed name.

STEPHANIE C. PALMERTREE, CPA, CGMA
Director, Financial and Compliance Audit
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Holmes County Consolidated School District for the year ended June 30, 2020.

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 *material weaknesses*. These matters are noted under the heading **MATERIAL WEAKNESSES**. We also noted certain deficiencies in controls that we noted under the heading **OTHER DEFICIENCIES**.

We noted certain instances of noncompliance with state laws that require the attention of management. These matters are noted under the headings **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.

MATERIAL WEAKNESSES

Finding 1: The School District Should Strengthen Board and Superintendent Oversight.

Internal Control Deficiency: According to the *Mississippi Public School Accountability Standards*, "The local School Board and the Superintendent of Schools shall exercise due diligence in performing the respective duties of each office in accordance with applicable law. The local School Board's responsibilities shall pertain to matters of setting policy and shall not interfere in the day-to-day operations of the School District that include, but are not limited to, such duties as those relating to personnel and management decisions..." The standards also state, "The School Board assigns all executive and administrative duties to the Superintendent, who is properly licensed and chosen in the matter prescribed by law."

Finding Detail: During our review of Holmes County Consolidated School District, we noted the District hosted an event unrelated to academic purposes. This event was "adults only" and was labeled B.Y.O.B. on the event's flyer... This expenditure was listed on the claims docket as a "parent celebration." Upon further review, it was uncovered the event was coordinated to celebrate the passing of a school bond; however, the bond did not pass. The event was in the amount of **\$4,200**. Failure to have adequate controls surrounding the District's expenses resulted in the misappropriation of public funds.

Recommendation: The School District should provide more effective and appropriate oversight over the School District's expenditures by strengthening controls, as well as, implementing new controls, policies, and

procedures where necessary. We also recommend the repayment of \$4,200 be made by the members of the School Board within 30 days. If the amount remains unpaid, this matter will be referred to the Investigative Division of the Office of the State Auditor for possible civil demand.

Management's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met going forward. The District did not provide alcoholic beverages during this function.

Repeat Finding: No.

Finding 2: The School District Should Strengthen Internal Controls 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.

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 testing of bank reconciliations, we noted the following at the completion of fieldwork on July 31st, 2020:

- Four (4) bank accounts were not properly reconciled to the District's general ledger's cash balance. There was a difference totaling (\$8,251,011):
 - Activity Funds – \$63,596
 - Payroll Clearing – (\$7,942,498)
 - Accounts Payable – \$17,966
 - Food Service – (\$390,075)
 - Bond Payment – \$5,329

- Three (3) bank accounts were not reconciled at all.

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: The District should implement policies and procedures to ensure all bank statements are reconciled timely and properly to the District's general ledger. We 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 and comply with the District's policy.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The exceptions noted were as of June 30, 2019 and have all been rectified. All accounts are now being reconciled routinely, on a monthly basis.

Repeat Finding: No.

INTERNAL CONTROL DEFICIENCIES

Finding 3: The School District Should Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits.

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

Finding Detail: During our testing of twenty – six (26) of Holmes County Consolidated School District's activity fund deposits, we noted the following:

- Sixteen (16) instances where there were no beginning and/or ending ticket numbers. Seven (7) of these instances auditors were unable to determine if pre-numbered tickets were used;
- Two (2) game deposits were between two (2) and nine (9) business days after monies were receipted;
- One (1) Activity Ticket Receipt Form was changed after the game deposit for Neshoba Central was made to reflect the shortage of **\$490**;
- There was a net shortage of **\$989** between deposits and ticket sales for all football games;
- Nine (9) instances where documentation wasn't available to verify game deposits and complete testing. Five (5) of those instances were all home softball games;
- Sixteen (16) instances where deposits could not be traced back to the transmittal sheet; and
- Seven (7) instances where deposits could not be traced to the general ledger.

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

Recommendation: The District should strengthen controls and enforce policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the following follow-up will occur: 1) Specific procedures will be created and distributed, and 2) the personnel involved with each of noted findings, to include school level administrators, will receive professional development to ensure future compliance.

Repeat Finding: No.

OTHER DEFICIENCIES AND NONCOMPLIANCE WITH STATE LAW

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws over Credit Card Usages.

Internal Control Deficiency: Management is responsible for implementing proper internal controls surrounding the cash disbursement functions, maintaining and recording all credit card transactions into the general ledger.

Applicable State Law: *Section 39-5-9, Mississippi Code Annotated (1972)*, and the Mississippi Department of Archives and History states, financial records should be retained five (5) years following submissions of all final financial reports on federal grant projects providing audit has been releases one (1) year. All financial records of school districts and local schools includes purchase orders, material invoices, receivable reports, receipt copies, etc.

DFA 10.112.03, Merchant-Specific Credit Cards, requires before any governing body may obtain a merchant specific credit card there must be a written justification for the need of the card to the Office of Purchasing, Travel and Fleet Management. This justification should be spread upon the minutes of this Board.

DFA 10.112.04, Merchant Specific Credit Card Minimum Requirements, states, “Upon receipt of the monthly statement, the cardholder shall review all charges to assure accuracy, complete applicable dispute documents, reconcile the statement with copies of receipts and order logs, and approve and sign the statement... The appropriate agency official shall maintain a file with the statements and all applicable receipts and dispute documents.”

Finding Detail: During our testing of Holmes County Consolidated School District’s credit cards, we noted the following:

- The District did not receive prior approval from the Office of Purchasing, Travel and Fleet Management before obtaining a Capital One credit card. This card was utilized for six (6) weeks;
- The District did not have in its Board minutes’ justification for the credit card; and
- Twenty-two (22) purchases with the Capital One credit card totaling **\$12,338** did not have itemized receipts maintained with the monthly statements, Board-approved travel, and were not posted to the general ledger.

Due to the lack of documentation maintained and inadequate internal controls surrounding the credit card purchases, OSA is unable to determine if these charges were for legitimate and legal school expenditures or personal use. This matter will be referred to the Investigative Division of the Office of the State Auditor.

Recommendation: The School Board, Superintendent, and management should implement and enforce policies and procedures to strengthen controls concerning its credit card use, in addition, to abiding by the laws, rules, and regulations set by DFA and the State of Mississippi.

District’s Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The district previously discontinued the use of a Capitol One credit card as of July 2019. We are also reviewing the transactions and will ensure that each transaction is properly recorded. The information will be thoroughly reviewed and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the district’s policies and procedures.

Repeat Finding: No.

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws over Travel Reimbursements.

Internal Control Deficiency: Management is responsible for properly safeguarding the assets of the District and ensuring all reimbursements are approved, documented, and allowed.

District policy *Section D Fiscal Management, DJDAA Travel Reimbursements* states, "...Reimbursement for travel related expenses will be based on approved and documented lodging expenditures, mileage reimbursement for private vehicle use and/or out-of-pocket for other travel arrangements or during that time according to the state regulations for travel. Carpooling or ride-share shall be enforced as feasible."

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."

Finding Detail: During testing of thirty (30) travel reimbursements, we noted the following:

- Three (3) instances where documentation was not provided to complete testing;
- Two (2) travel expenses were improperly coded in the District's general ledger;
- Seven (7) travel vouchers were not signed for approval for payment;
- Seven (7) travel vouchers did not have corroborating evidence for the purpose of the trip;
- Travel mileage reimbursements for three (3) private vehicle mileage reimbursements were not reimbursed properly;
- One (1) employee was not reimbursed for miles driven totaling **\$262**;
- Two (2) employees were reimbursed below the statutorily required mileage rate resulting in a difference of **\$20**;
- Four (4) travel vouchers were not supported by receipts showing payment by employee;
- One (1) meal reimbursement to the Special Assistant to the Superintendent was **\$30** above the maximum daily limit allowed set by the Department of Finance and Administration;
- One (1) instance where the Superintendent was reimbursed for attending the National Association of State Boards of Education conference in the amount of **\$1,884** without proof of payment of registration or hotel stay;
- Eleven (11) out-of-district travel to conventions, associations, and meetings did not have prior approval; and
- Four (4) instances where meals could not be verified as not being a part of the registration.

Lack of adequate controls could result in the fraud, loss, or misappropriation of public funds.

Recommendation: The School Board should strengthen policies and procedures surrounding reimbursements for professional travel expenses.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed, and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the District's Accounting and Procedures Manual.

Repeat Finding: No.

Finding 6: The School District Should Strengthen Internal Controls and Ensure Compliance with State Laws over Maintaining Claim Documentation.

Internal Control Deficiency: *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Management is responsible for properly safeguarding the assets of the School District and ensuring the terms of service contracts are met and adhered to at all times.

Applicable State Law: *Section 37-9-14(7), Mississippi Code Annotated (1972)*, states, "The superintendent of schools shall maintain as a record in his office a book or a computer printout in which he shall enter all demands, claims and accounts paid from any funds of the school district. The record shall be in a form to be prescribed by the State Auditor. All demands, claims and accounts filed shall be preserved by the superintendent of schools as a public record for a period of five (5) years."

Board Policy Section D Fiscal Management Policy DJEG Purchase Orders and Contracts and the Accounting Manual of Mississippi Public Schools, requires the District to utilize within its purchase system requisitions, purchase orders, and receiving reports, which should be logged and maintained in its business office.

Finding Detail: During our review of service contracts and claims dockets, we noted the following:

- Nine (9) invoices were dated before the purchase orders and requisitions;
- Three (3) purchases were missing both the requisitions and purchase orders totaling **\$6,175**;
- One (1) contract did not have supporting documentation for the consultant's expenditures totaling **\$9,990**;
- One (1) purchase was missing the purchase order; and
- One (1) contract exceeded the Board-approved contract amount by **\$5,500**.

Failure to adhere to the state laws and regulations, and Board policy resulted in noncompliance and overpayment of expenses. Inadequate controls over maintaining claim documentation could result in fraud, misappropriation, or loss of public funds.

Recommendation: The School District should ensure compliance with all claims by maintaining all required documents within the District. Also, the School District should ensure all contracts are in adherence to the Board approved amounts and its expenses are documented.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed, and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the District's policies and procedures.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 7: The School District Should Ensure Compliance with State Laws over Approved Contracts.

Applicable Laws: *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.”

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 our review of Holmes County Consolidated School District’s contracts and payroll, we noted that the Superintendent was overpaid during fiscal years 2019 and 2020. The Board approved an annual salary in the amount of **\$160,000**, which was spread upon the minutes; however, the Superintendent was actually paid **\$170,000** for both fiscal years.

Failure to implement adequate controls, policies, and procedures in regards to the payments of salaries resulted in the Superintendent being overpaid **\$20,000**.

Recommendation: The School District should ensure all salaries are paid according to the contracts approved by the Board. Additionally, we recommend the Superintendent repays the District **\$20,000** within 30 days of the date of this report. If the Superintendent fails to reimburse the District, this matter will be referred to the Investigative Division of the Office of the State Auditor for possible civil demand.

District’s Response: The Superintendent’s contract provided for a salary of **\$170,000**.

Repeat Finding: No.

Auditor’s Note: Per review of the Board minutes, the Superintendent’s approved salary was **\$160,000**. The Board did not approve the Superintendent’s salary for **\$170,000** in any of the Board minutes.

Finding 8: The School District Should Ensure Compliance with State Laws over the Superintendent’s Relocating Expenses.

Applicable State Law: *Section 37-7-301(nn), Mississippi Code Annotated (1972)*, states, “...The reimbursement shall not exceed One Thousand Dollars (\$1,000.00) for the documented actual expenses incurred in the course of relocating, including the expense of any professional moving company or persons employed to

assist with the move, rented moving vehicles or equipment, mileage in the amount authorized for county and municipal employees under *Section 25-3-41* if the licensed employee used his personal vehicle or vehicles for the move, meals and such other expenses associated with the relocation. No licensed employee may be reimbursed for moving expenses under this section on more than one (1) occasion by the same school district. Nothing in this section shall be construed to require the actual residence to which the licensed employee relocates to be within the boundaries of the school district that has executed a contract for employment in order for the licensed employee to be eligible for reimbursement for the moving expenses. However, the licensed employee must relocate within the boundaries of the State of Mississippi.”

Finding Detail: During our review of Holmes County Consolidated School District’s personnel expenses, it was noted the Superintendent’s relocation expenses were paid totaling **\$9,000**; however, there was no supporting documentation provided to support the reimbursement. Because this expense is not supported and in excess of the limit allowed by *Mississippi Code Section 37-7-301 (nn)*, the Superintendent was improperly paid **\$8,000**.

Due to noncompliance with state laws and regulations, and lack of internal controls surrounding the relocation expenses of the District’s Superintendent, public funds were misappropriated.

Recommendation: The Board should ensure that relocation expenses reimbursed to the Superintendent are not in excess of **\$1,000**, as required by state law. Additionally, we recommend the Superintendent and/or the Board repay the District in the amount totaling **\$8,000** within 30 days of the date of this report. If the Superintendent and/or Board fails to reimburse the District, this matter will be referred to the Investigative Division of the Office of the State Auditor for possible civil demand.

District’s Response: According to the *May 11, 2018, Attorney General Opinion to Pat Robertson*, an agency may pay moving expenses "as long as the original contract of employment included those expenses as part of the compensation package." The original contract of employment with Superintendent specifically provided "(d) The District shall provide the Superintendent with Nine Thousand Dollars (\$9,000) in moving expenses to assist the Superintendent with the cost of moving to the District."

Repeat Finding: No.

Auditor’s Note: The aforementioned statute states “reimbursement shall not exceed One Thousand Dollars (\$1,000.00) for the documented actual expenses incurred in the course of relocating.” The Attorney General Opinion noted above by the Superintendent applies to state employees, which does not apply to the District’s Superintendent.

Finding 9: The School District Should Ensure Compliance with State Laws Over Nepotism.

Applicable State Laws: *Section 25-4-105(1), Mississippi Code Annotated (1972)*, states, “No public servant shall use his official position to obtain, or attempt to obtain, pecuniary benefit for himself other than that compensation provided for by law, or to obtain, or attempt to obtain, pecuniary benefit for any relative or any business with which he is associated.”

Section 25-4-105(4), Mississippi Code Annotated (1972), states, “...a public servant or his relative...(b) May be a contractor or vendor with any authority of the governmental entity other than the authority of the governmental entity of which he is a member, officer, employee or agent or have a material financial interest in a business which is a contractor or vendor with any authority of the governmental entity other than the authority of the governmental entity of which he is a member, officer, employee or agent where such contract is let to the lowest

and best bidder after competitive bidding and three (3) or more legitimate bids are received or where the goods, services or property involved are reasonably available from two (2) or fewer commercial sources, provided such transactions comply with the public purchases laws.”

Finding Detail: During our review of Holmes County Consolidated School District, we noted the Superintendent’s relatives were not disclosed on his related party questionnaire or within the District’s Board minutes. Upon further review, auditors discovered there were purchases made to his sister’s catering business totaling **\$8,000** and brother-in-law’s charter bus services totaling **\$6,000**. The nature of their relationship was not disclosed to the Board.

Failure to ensure compliance with *Section 25-4-105, Mississippi Code Annotated (1972)* could result in misuse and abuse of public funds.

Recommendation: The School District should ensure compliance with *Section 25-4-105*. This matter will be turned over to the Mississippi Department of Ethics for review.

District’s Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The District will provide additional training for the Board and financial staff on nepotism and ethics statutes and rules.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Laws Over Obtaining Quotes for Purchases Over \$5,000 But Not Over \$50,000.

Applicable State Law: *Section 31-7-13(b), Mississippi Code Annotated (1972)*, requires the District to obtain at least two competitive written bids for purchases over \$5,000 but not over \$50,000 exclusive of freight and shipping charges. The District is required to accept the lowest and best competitive written bid.

Finding Detail: During the testing of purchasing, we noted one (1) vendor purchase did not have quotes or bids totaling **\$5,800**.

Failure to obtain at least two (2) competitive bids resulted in the School District not being in compliance with state purchasing laws.

Recommendation: The School District should ensure compliance with *Section 31-7-13(b), Mississippi Code Annotated (1972)*, by properly obtaining at least two (2) bids for purchases over \$5,000 but not over \$50,000, as required by law.

District’s Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed, and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the district’s Accounting and Procedures manual.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Laws over Budgeted Expenditures and Filing of the Amended Budget.

Applicable State Law: *Section 37-61-19, Mississippi Code Annotated (1972)*, states, “It shall be the duty of the superintendents of school and the school board 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.”

Section 37-61-21(2), Mississippi Code Annotated (1972), states, “On or before the fifteenth day of October of each year, the local school board of each school district, with the assistance of the school district superintendent, shall prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require.”

Finding Detail: During our review of the amended budgets for Holmes County Consolidated School District, we noted the following exceptions:

- The District did not submit the final amended budget for fiscal year 2019 to the Board until January 16, 2020, which is subsequent to the October 15th deadline;
- The District’s actual expenditures for Fund 2711 (Vocational Fund), Fund 2951 (Russ Grant), and Fund 3900 (2017 Storm Damage) exceeded the budgeted expenditures in the combined amount of **\$1,612,191**; and
- Two (2) funds, Fund 2951 (Russ Grant) and Fund 3900 (2017 Storm Damage), did not have budgeted expenditures.

Failure for the District to ensure these are resources for all expenditures could result in deficit fund balances. Also, the District’s failure to submit the final amended budget on or before October 15th, 2019 resulted in the non-compliance with *Miss. Code Section 37-61-21(2)*.

Recommendation: The School District should ensure compliance with *Sections 37-61-19* and *Section 37-61-21(2)* by ensuring all funds have available resources before expenditures are approved and that the final amended budget is submitted on or before October 15th.

District’s Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the personnel involved with each of noted findings will receive professional development to ensure compliance with the district’s policies and procedures.

Repeat Finding: No.

Finding 12: The School District Should Ensure Compliance with State Laws over Public Depositor’s Annual Report.

Applicable State Law: *Section 27-105-5(6) (b), Mississippi Code Annotated (1972)*, states, “Not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end.”

Finding Detail: During our review of the District’s 2019 Public Depositor Annual Report, we noted it was not submitted to the Mississippi State Treasurer’s Office within thirty (30) days of the fiscal year end. The District submitted their annual report on March 26, 2020, which was eight (8) months after June 30, 2019. Additionally, there were seven (7) of the District’s bank accounts totaling **\$169,166** that were not reported.

Failure to submit the Public Depositor Annual Report accurately and in a timely manner could result in the State Treasurer’s Office having inaccurate records and increase the risk that the District’s total deposits may not be properly collateralized.

Recommendation: Management should develop controls to ensure the Public Depositor Annual Report is submitted accurately to the State Treasurer’s Office within thirty (30) days of fiscal year, as required by law.

District’s Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The district has: 1) implemented a monthly calendar of all due dates and 2) trained and assigned specific staff to complete this report in a timely fashion.

Repeat Finding: No

Finding 13: The School District Should Ensure Compliance with State Laws over Monthly Financial Reports.

Applicable State Laws: *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.”

Finding Detail: During our review of the monthly financial reports within the District’s Board minutes, we noted that the required financial reports for July 2018 through April 2020 were not presented to the School Board.

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: The Superintendent and management should ensure an accurate and complete set of financial reports are submitted to the Board each month, as required by law.

District’s Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. However, it should be noted that the district hired a CFO in October 2019 and subsequently has met this requirement.

Repeat Finding: No.

Finding 14: The School District Should Ensure Compliance with State Laws over the Approval of Depositories.

Applicable State Law: *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 1st 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.

Finding Detail: During our review of depository bids, we noted that the Board's depository bid expired on June 30th, 2019. From July 1, 2020 to current, the School District's bank accounts were not covered under an approved depository.

Due to inadequate internal controls surrounding its depository, the District is not in compliance.

Recommendation: The School Board, Superintendent, and management should ensure compliance with *Section 37-7-333, Mississippi Code Annotated (1972)*, by properly accepting bids for depositories by July 1st every three (3) years.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed, and the personnel involved with each of the note findings will receive professional development to ensure compliance with the District's policies and procedures.

Repeat Finding: No.

Finding 15: The School District Should Ensure Compliance with State Laws over Ad Valorem Escrow.

Applicable State Law: *Section 37-57-105(3), Mississippi Code Annotated (1972)*, states, "The aggregate receipts from ad valorem taxes levied for school district purposes, excluding collection fees, pursuant to this section and *Section 37-57-1* shall be subject to the increased limitation under *Section 37-57-107*; however, if the ad valorem tax effort in dollars requested by the school district for the fiscal year exceeds the next preceding fiscal year's ad valorem tax effort in dollars by more than four percent (4%) but not more than seven percent (7%), then the school board shall publish notice thereof once each week for at least three (3) consecutive weeks in a newspaper having general circulation in the school district involved, with the first publication thereof to be made not less than fifteen (15) days prior to the final adoption of the budget by the school board."

Finding Detail: During our testing of limitation of ad valorem taxes and homestead exemption reimbursements, we noted that the District received more ad valorem taxes and homestead exemptions reimbursements than the amount allowed by *Section 37-57-107, Mississippi Code Annotated (1972)*. The excess is the result of the District not requesting ad valorem from the County, advertising the tax increase in the local newspaper, and receiving more tax revenue from the County than the District's base amount.

Due to the calculation indicating a violation of *Section 37-57-107, Mississippi Code Annotated (1972)*, the excess collected during the 2018-2019 year totaling **\$499,100** should be restricted for one (1) year.

Recommendation: The School District should implement policies and procedures to ensure compliance with *Mississippi Code Section 37-57-107* and escrow the excess noted totaling **\$499,100**.

District's Response: The District acknowledges this finding and will work to provide additional supporting documentation.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 16: The School District Should Ensure Compliance with State Laws 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 twenty-seven (27) Holmes County Consolidated School District's PERS Form 4Bs, we noted the following exceptions:

- Five (5) retirees were paid more than the allowed salary by PERS totaling **\$12,805**;
- All twenty-seven (27) PERS Form 4Bs did not have evidence of being filed within five (5) days of rehire;
- One (1) PERS Form 4B did not have evidence of the complete retirement date;
- The District did not accurately calculate the allowed salary of four (4) retired employees;
- The full-time salary compensation for three (3) retirees were not properly recorded on their PERS Form 4Bs; therefore, the allowed salary could not be accurately calculated; and
- Four (4) retirees' re-employment dates were not recorded on the PERS Form 4Bs.

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: The Payroll Clerk should ensure the School District complies with *Section 25-11-127(4)* and PERS by properly paying employees, completing, and filing Form 4Bs within five (5) days.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the personnel involved

with each of the noted findings will receive professional development to ensure compliance with the District's policies and procedures.

Repeat Finding: No.

Finding 17: The School District Should Ensure Compliance with State Laws over Certified Employee's Salaries and Maintaining Background Checks and MDE Certifications in Personnel Files.

Applicable State Laws: *Section 37-9-33, Mississippi Code Annotated (1972) and Board Policy CGA, Administrative Personnel Compensation Guides and Contracts*, states, "In employing and contracting with appointed superintendents, principals, and certified employees, the school board shall in all cases determine whether the amount of salary to be paid such superintendent, principal, and certified employees is in compliance with the provisions of the adequate education program. No contracts shall be entered into where the salary of a superintendent, principal, or certified employee is to be paid, in whole or in part, from adequate education program funds except where the reimbursements of said chapter as to the amount of salary are fully met... The allowance in the Mississippi Adequate Education Program for teachers' salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers' salaries as provided in this subsection."

Section 37-9-17, Mississippi Code Annotated (1972), states "current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board or at such local school district prior to July 1, 2000." Ultimately, the criminal records information and registry must be kept on file for any and all new hires. Additionally, employees employed under the recommendation of a personnel supervisor may not be paid compensation in excess of their approved contract without Board approval.

Finding Detail: During our testing of twenty (20) certified employees, we noted the following:

- Six (6) personnel files did not include the educator's certification;
- The District did not obtain background checks for sixteen (16) of its certified employees;
- Six (6) instances where the salary per contract did not agree with the Board-approved salary schedule;
- Three (3) salary increases without the School Board's approval totaling **\$3,533**; and
- Nine (9) instances where employee contracts were not included in the educator's personnel file;

Recommendation: The School District should strengthen controls to ensure criminal background checks and MDE certifications are obtained and maintained in personnel files of its employees, as required by law. Also, the School District should ensure salary increases are approved by the School Board.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the District's policies and procedures regarding personnel. Training will include a review of MDE Accountability Process Standard 2, which communicates requirements regarding personnel, as well as state statutes regarding personnel.

Repeat Finding: No.

Finding 18: The School District Should Ensure Compliance with State Laws over the Annual Sixteenth Section Schools Trust Land Report.

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

Finding Detail: During our review of Holmes County Consolidated School District’s 2019 sixteenth section school trust report, we noted the District did not file the report with the Mississippi Secretary of State’s Office until January 22, 2020; however, it was due on September 17, 2019.

Failure to file the 2019 sixteenth section school trust report as required by the Mississippi Secretary of State resulted in the District’s noncompliance with *Mississippi Code Section 29-1-3(3)*.

Recommendation: The School District should ensure the District’s annual sixteenth section school trust land report is filed with the Mississippi Secretary of State by the specified date, as required by state law.

District’s Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the district’s policies and procedures.

Repeat Finding: No.

Finding 19: The School District Should Ensure Compliance with State Law over Sixteenth Section Shared Townships.

Applicable State Law: *Section 29-3-119, Mississippi Code Annotated (1972)*, states, “The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the “custodial school district”) shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district’s pro rata share of the available township, as determined from the lists of children prepared pursuant to *Section 29-3-121, Mississippi Code Annotated (1972)*, promptly after collecting such funds.”

Finding Detail: During our testing of sixteenth section revenue, we noted there was no revenue from sixteenth sections shared with neighboring school districts: Attala, Madison, Yazoo, Kosciusko, Leflore, and Carroll County School Districts, as required by *Section 29-3-119, Mississippi Code Annotated (1972)*.

Failure to properly share sixteenth section revenue as the custodial school distort could result in the misappropriation of public funds.

Recommendation: The District should strengthen controls to ensure all revenues are promptly shared with appropriate District in accordance with *Section 29-3-119, Mississippi Code Annotated (1972)*.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The district has implemented procedures to ensure that it is not repeated. Beginning in July 2020, the district employees a 16th Section liaison, whose responsibility is to ensure compliance of 16th section lands, to include shared township.

Repeat Finding: No.

Finding 20: The School District Should Ensure Compliance with State Laws over Sixteenth Section Educable Child Lists.

Applicable State Law: *Section 29-3-121, Mississippi Code Annotated (1972)*, states, "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 ensuring calendar year as provided by *Section 29-3-119, Mississippi Code Annotated (1972)*."

Finding Detail: During our review of Holmes County Consolidated School District's educable child lists, we noted for the 2018-2019 and 2019-2020 school years, lists were not filed until July 27, 2020.

Failure to file the educable child lists with the custodial district could result in forfeiting funds that the District would otherwise be entitled to.

Recommendation: The Superintendent and management should implement controls, policies, and procedures to ensure all lists are prepared and filed with the Superintendents of custodial district by December 31st of each year, in accordance with *Section 29-3-121, Mississippi Code Annotated (1972)*.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The district has implemented procedures to ensure that it is not repeated. Beginning in July 2020, the district employs a 16th Section liaison, whose responsibility is to ensure compliance of 16th section lands, to include shared township.

Repeat Finding: No.

Finding 21: The School District Should Ensure Compliance with State Laws over Sixteenth Section Taxes, Payments, Deposits, and Appraisals.

Applicable State Laws: *Section 29-3-57, Mississippi Code Annotated (1972)*, states, "The superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section lands; likewise, he shall keep a correct current docket upon the existing leases or any extensions thereof as to the amounts and time of payment of rentals provided for by such lease. It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section

funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease.”

Section 29-3-65, Mississippi Code Annotated (1972), states, “One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the board of education shall appoint a competent appraiser to appraise the land and report to the board his recommendation for the fair market rental amount. The board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*.”

Finding Detail: During our review of Holmes County Consolidated School District, we noted the following exceptions over the District’s Sixteenth Section leases:

- Seven (7) lease payments had not been paid to the District for one (1) to two (2) years; however, the lease agreements were not cancelled;
- Four (4) lease payments were paid more than sixty (60) days late; however, the lease agreements were not cancelled;
- Taxes were not current on two (2) leases and the lease agreements were not terminated;
- Six (6) deposits for lease payments were made six (6) to thirty-two (32) days late;
- One (1) lease payment was paid totaling **\$418** on February 28, 2020; however, the deposit was in the amount of **\$318**. On March 6, 2020, the additional **\$100** was deposited into the District’s bank account;
- Twelve (12) lease agreements did not have files for each lease which would include documentation of appraisals; and
- None of the eighteen (18) receipts tested could be traced to the general ledger due to management’s grouping of receipts, which did not include the receipt numbers, lease holders’ names, or townships, sections, and ranges.

Failure to terminate lease agreements due to non-payment of rental payments, receipt rental payments, and appoint appraisers resulted in noncompliance with state laws and regulations.

Recommendation: We recommend the School Board should ensure lease payments are made within sixty (60) days, and an appraisal is appointed one (1) year before the rental of sixteenth section land, as required by laws and regulations.

District’s Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the personnel involved with each of the noted findings will receive professional development to ensure compliance with the district’s policies and procedures.

Repeat Finding: No.

Finding 22: The School District Should Ensure Compliance with State Laws 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 our testing of the Statement of Economic Interest, we noted one (1) Board Member had not filed a Statement of Economic Interest by May 1st.

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

Recommendation: We recommend the School Board Members file the 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 Board President brought his online Statements of Economic Interest current on August 6, 2020. In the future, the HCCSD Board will make the filing of Statement of Economic Interest an Agenda item at the Board's regular March and April Board meetings, to ensure compliance with the May 1 submission deadline.

Repeat Finding: No.

Finding 23: The School District Should Ensure Compliance with State Laws over Board Meeting Attendance.

Applicable State Law(s): *Section 37-6-13(2)(a)(b), Mississippi Code Annotated (1972)*, states, "If a member of a school board misses twenty percent (20%) or more of the meetings of the school board during a calendar year, except for absences caused by required military duty, the member must reimburse the school district that portion of the total salary paid to the member that year which is proportionate to the number of meetings missed by the member in relation to the total number of school board meetings held during that year. For purposes of this subsection, consideration may be given only to meetings of which public notice is required. Before February 1 of each year, the president of each local school board shall submit a report to the State Board of Education containing the names of any members of the school board who missed twenty percent (20%) or more of the school board meetings during the preceding calendar year."

Finding Detail: During our review of Holmes County Consolidated School District Board members' attendance, we noted the following:

- Three (3) Board Members were absent for more than twenty percent (20%) of the 2019 calendar year Board meetings; and
- The School Board President did not submit a report containing the names of any member of the School Board who missed twenty percent (20%) or more of the meetings during the preceding calendar year to the State Board of Education.

Due to the Board Members not attending the required percentage of Board meetings, and not submitting a report of the names of its Board Members absent more than twenty percent (20%) of the Board meetings, the District is not in compliance with *Section 37-6-13(2)(a)(b)*.

Recommendation: The School District should ensure Board Members are present for more than eighty percent (80%) of the meetings each calendar year and report any absences over twenty percent (20%) to the State Board of Education by February 1st.

District's Response: There were eleven regular HCCSD Board meetings in 2019 (there was no regular meeting in July). No Board Member missed more than one regular meeting. Therefore, none of the Board Members missed more than 20% of the regularly scheduled meetings. There were an additional seventeen special Board meetings. The Board also notes that there were five (5) Board meetings alone during the month of June 2019. Two (2) Members did not miss any of the special meetings. Board Member Horton attended nine (9) of these special meetings for an attendance at nineteen (19) meetings in 2019. Board Member Dean attended twelve (12) of these special meeting for an attendance at twenty-two (22) meetings in 2019. Board Member Jones attended twelve (12) of these special meetings for an attendance at twenty-two (22) meetings in 2019. All of the HCCSD Board Members attended many more meetings than the average school board member from other districts. It would have been patently unfair for any Board Member to have any portion of their salary reduced when all of them attended so many meetings in 2019.

Repeat Finding: No.

Finding 24: The School District Should Ensure Compliance with State Laws over Surety Bonds.

Applicable State Laws: *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 37-6-15, Mississippi Code Annotated (1972), states, "Before entering upon the discharge of the duties of his office, each member of the school board shall give a surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety, to be payable conditioned and approved in the manner provided by law. The school board may execute a blanket bond for each school district official and employee (including school business managers and any other employee who receipts and/or disburses school district funds) in the penalty of Fifty Thousand Dollars (\$50,000), unless a different penalty is prescribed by statute, to 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."

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."

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.”

Finding Detail: As a result of procedures performed, we noted the following exception with the District’s surety bonds:

- Five (5) Board Members did not have bonds covering the period of January 1, 2019 to January 1, 2020;
- One (1) Board Member, two (2) Purchasing Agents’, and five (5) Principals’ bonds were not properly executed due to the lack of required signatures and not filed in the Chancery Clerk’s office;
- The Superintendent was not bonded for fiscal year 2019; and
- The Business Manager was not bonded for their entire contract period.

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: The School District should ensure that new bonds are secured 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 as statutorily required. Additionally, the Board should ensure all bonds for employees and officials’ bonds are filed with the Chancery Clerk.

District’s Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The District is currently working to ensure all board members, appropriate district and school level administrators, and purchasing agents are properly bonded and that bond documentation is on file with the Chancery Court.

Repeat Finding: No.

Finding 25: The School District Should Ensure Compliance over Federal Laws over *Children’s Internet Protection Act*.

Applicable Federal Law: The *Children’s Internet Protection Act*, states, “*Sections 1721et seq. CIPA* provide that schools and libraries that have computers with Internet access must certify that they have in place Internet safety policies and technology protection measures in order to be eligible under *Section 254(h) of the Communications Act of 1934*, as amended (the Act), to receive discounted Internet access, Internet services, and internal connection services.” Accordingly, schools are required to implement “technology protection measures” to block or filter internet access to content that is obscene, child pornography, or with respect to use of computers with Internet access to minors. Schools must also monitor the online activities of minors and provide for the education of minors about appropriate online behavior.

Finding Detail: During our testing of Holmes County Consolidated School District’s internet content filters, we noted that the School District currently relies solely on the internet content filter administered by its internet service provider. At the time of our testing, the service provider’s content filter failed to block access to inappropriate content. Failure to ensure that inappropriate online content was effectively blocked or filtered resulted in non-compliance with the *Children’s Internet Protection Act*.

Recommendation: The School District should implement policies and procedures to ensure internet content filters are working effectively and detect failures or disruptions in filtering promptly, as required under the *Children's Internet Protection Act 47 U.S.C. (h)(5)(B)*.

District's Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The information will be thoroughly reviewed and the personnel involved with each of noted findings will receive professional development to ensure compliance with the District's policies and procedures. It was noted that a system was in place to ensure compliance; however, at the time of the testing, the district was transitioning to a contracted provider for technology services. The District is working with the service provider to purchase the required software to ensure compliance with CIPA.

Repeat Finding: No.

End of Report