

BALDWIN SCHOOL DISTRICT MISSISSIPPI

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*
Charlotte Duckworth
Director, *Compliance Division*



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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

Baldwyn School District
107 West Main Street
Baldwyn, Mississippi 38824

Members of the Baldwyn School Board:

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

1. Strengthen Internal Controls over Bank Reconciliations;
2. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
3. Strengthen Internal Controls over the Payroll Department;
4. Strengthen Internal Controls and Ensure Compliance with Laws over Budget Approval;
5. Ensure Compliance with State Laws over Financial Reports;
6. Ensure Compliance with State Laws over Administrative Costs;
7. Ensure Compliance with State Laws over Purchase Laws, Documentation, and Invoice Payments;
8. Ensure Compliance with State Laws over Statements of Economic Interest;
9. Ensure Compliance with State Laws over Certified Employees' Contracts, Salary Scales, Background Checks, and MDE Certifications in Personnel Files;
10. Ensure Compliance with State Laws over Surety Bonds;
11. Ensure Compliance with State Laws over Reemployment of Retired Public Employees;
12. Ensure Compliance with State Laws over Board Meeting Attendance; and
13. Ensure Compliance with Federal Laws over Children's Internet Protection Act.

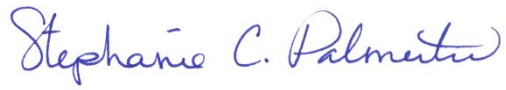
During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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 Baldwyn School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me

Baldwyn School District
August 11, 2022
Page **4** of **16**

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive style with a large initial 'S'.

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 Baldwyn 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 WEAKNESS**. We identified certain deficiencies in internal controls over financial reporting that we consider to be *significant deficiencies*. These matters are noted under the heading **SIGNIFICANT DEFICIENCIES**. 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 WEAKNESS

Finding 1: 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 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.

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 the School District's bank reconciliations, the auditor noted the following four bank accounts were not properly reconciled to the general ledger's cash balance with a difference totaling **(\$244,492)**:

- Baldwyn School District Lunch Room – **(\$450)**
- Baldwyn School District Central Fund – **(\$6,749)**
- Baldwyn School District Special School – **\$6,753**

- Baldwyn School District Accounts Payable - \$70
- Baldwyn School District Payroll Clearing – (\$244,116)

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

Recommendation: We recommend the Baldwyn School District strengthen controls by implementing policies and procedures to ensure all transactions are properly recorded in the general ledger and all variances from book balances are accounted for in a timely manner.

District's Response: I do not believe the above mentioned accounts are not in balance. I have attached copies of the balance sheets, bank statement reconciliations, and the general ledger as of 6/30/20. The totals agree with what I have as year end balances.

Auditor's Note: The Office of the State Auditor has provided evidence to the Business Manager and Superintendent that all transactions were not recorded within the District's general ledger which led to the bank reconciliations not balancing. The bank reconciliations presented to the auditors on September 3, 2020 were signed by the Business Manager on July 13, 2020 and approved by the School Board on July 23, 2020. When the Business Manager was presented the management response letter on April 22, 2021 concerning the exceptions pertaining to the bank reconciliations balancing to the general ledger a new set of bank reconciliations was provided to the auditors. However, the new set of bank reconciliations provided had the same approval dates as the reconciliations provided on September 3, 2020. Due to this, there is no evidence or official Board minutes to verify that the School Board approved the revised bank reconciliations provided in April 2021, which can lead to misappropriation, waste and/or abuse of public funds.

Repeat Finding: No.

SIGNIFICANT DEFICIENCIES

Finding 2: 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 Treadway 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 the testing of the School District's activity fund revenue, the auditor noted the following exceptions:

- Four ticket sale receipts were not provided to the auditor;
- Two game deposits were made three days after monies were receipted;
- There was a net overage of \$204 between deposits and ticket sales for both varsity football and basketball games;
- Twenty-six sign-out sheets were not properly completed;
- Three count sheets were not verified with a second signature;
- Twenty-four deposits were not verified by the District's Finance Department;
- Nine activity fund transmittal sheets were not signed by the principal; and
- Seven activity fund transmittal sheets were not provided to the auditor; therefore, the deposits could not be traced.

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

Recommendation: We recommend the Baldwyn School District strengthen controls over its policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded and all deposits are made timely.

District's Response: The District will amend our procedures that are now in place for handling all activity receipts. The remittal forms have been updated to include signature lines for the required personnel to sign the forms. Deposits are to be made the day following an event. Any weekend deposits will be made the following Monday unless it is a holiday and the Bank is not open.

Repeat Finding: No.

Finding 3: The School District Should Strengthen Internal Controls over the Payroll Department.

Internal Control Deficiency: Management should assign responsibilities to ensure a crosscheck of duties. An effective system of internal controls requires adequate segregation of duties for all departments within the School District. Segregation of duties is a basic, key internal control. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. The main component of segregation of duties is to make deliberate fraud difficult.

Finding Detail: During the review of the School District's internal controls, the auditor noted the following inadequate internal controls in the Payroll Department:

- The Business Manager completes contracts, enters the approved pay scale and verifies information is correct; and
- The Business Manager enters employees' payroll, prepares monthly reports, and reconciles the Payroll Clearing bank statement.

Failure to implement proper internal controls, could result in errors or misappropriations of the District's monies and those errors or misappropriations not being detected.

Recommendation: We recommend the Baldwyn School District strengthen controls over the Payroll Department by implementing proper segregation of duties to ensure that the same employee is not performing all tasks within the department without any review.

District's Response: Baldwyn School District is a small District and our office staff is small in numbers. We will segregate duties as well as we can.

Repeat Finding: No.

OTHER DEFICIENCIES AND NONCOMPLIANCE WITH STATE LAW

Finding 4: The School District Should Strengthen Controls and Ensure Compliance with State Laws over Budget Approval.

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

Applicable State Law: *Section 37-61-9, Mississippi Code Annotated (1972)*, states, “It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund...”

Finding Detail: During the review of the District’s 2018-2019 amended budget, the auditor noted the following funds reflected a projected negative fund balance at year end:

- Consolidated Administration Cost Fund – (\$4,998)
- Title V Rural and Low Fund – (\$208)
- Title II Teacher/Principal Training– (\$9,903)
- EHA, IDEA Part B – (\$2,945)
- EHA, Preschool – (\$1,441)

Although all actual fund balances were not negative at June 30, 2019, the approval of the fund budgets with ending deficit fund balances is in violation of state law.

Recommendation: We recommend the Baldwyn School District strengthen controls and ensure compliance with state law by following 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 School District implement sound budgeting practices that will prevent negative fund balances from being presented to the school board

District’s Response: Year-end entries were made to clear these fund balances after the amended budget was presented to the Board. From now on, I will submit an amended budget after I submit my FETS report to MDE.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 5: The School District Should Ensure Compliance with State Laws over Presenting 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, in part, that 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 the review of the School District’s monthly financial reports, the auditor noted the following exceptions:

- The School Board was not presented monthly bank reconciliations for 11 months;
- Complete set of Cash Flow Statements was not presented to the School Board for the months of November 2019 and June 2020; and
- One Budget Status Report was not presented to the School Board of the months of December 2019 and June 2020.

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

Recommendation: We recommend the Baldwyn School District ensure compliance with state laws and regulations by submitting an accurate and complete set of financial reports to the School Board each month.

District's Response: The Business Manager will provide all reports required, per *Mississippi Statute 37-9-18*, to the person who is responsible for preparing the docket for the Board meeting. The Business Manager will check the agenda for each meeting to assure that all reports are listed and copies attached per the law.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Laws over Administrative Costs.

Applicable State Law: *Section 37-61-9(4), Mississippi Code Annotated (1972)*, states, "There shall be imposed limitations on budgeted expenditures for certain administration costs, as defined hereinafter, in an amount not greater than One Hundred Fifty Thousand Dollars (\$150,000.00) plus four percent (4%) of the expenditures of all school districts each year. For purposes of this subsection, "administration costs" shall be defined as expenditures for salaries and fringe benefits paid for central administration costs from all sources of revenue in the following expenditure functions as defined in the MISSISSIPPI PUBLIC SCHOOL DISTRICT FINANCIAL ACCOUNTING MANUAL."

Finding Detail: During the review of the School District's budget for fiscal year 2019, the auditor noted that, when considered individually, the School District exceeded the limits imposed on administrative costs as defined in *Section 37-61-9(4), Mississippi Code Annotated (1972)*, by **\$51,123**.

Attorney General Opinion No. 2008-00389 provides that: "Based on the clear and unambiguous meaning of *Section 37-61-9(4) of the Mississippi Code of 1972*, the legislature imposed limitations on budgeted expenditures for certain administrative costs in an amount not greater than One Hundred Fifty Thousand Dollars (\$150,000) plus four percent of the expenditures of all school districts each year." In this opinion the Office of the Attorney General concludes that the four percent (4%) limitation established by *Section 37-61-9(4)* should not be applied for each individual school district's total expenditures.

However, the Mississippi Department of Education performs an annual calculation of each school district's administrative expenditures as a percentage of the total expenditures of the district and includes that calculation in the *Superintendent's Annual Report*. For fiscal year 2018, the Mississippi Department of Education calculated that Baldwyn School District's administrative expenditures were 6.01% of its total current operating expenditures, which was **\$31,435** over the four percent (4%) plus \$150,000 limitation when considered individually."

Failure to ensure administrative costs are within the statutory limitations could result in the loss of public funds that can be expended in the classroom.

Recommendation: We recommend the Baldwyn School District ensure compliance with state laws and regulations by maintaining the proper administrative cost limitations.

District's Response: Baldwyn Public School District will abide by *Mississippi Code 37-61-9(4)* regarding the excess of administrative costs.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Purchase Laws, Maintaining Purchase Documents, and Invoice Payments.

Applicable State Laws: *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. The term "competitive written bid" shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor's letterhead or identifiable bid form and signed by authorized personnel representing the vendor.

Section 31-7-13(k), Mississippi Code Annotated (1972), states, "If the governing authority, or the governing authority acting through its designee, shall determine that an emergency exists in regard to the purchase of any commodities or repair so that the delay incident to giving opportunity for competitive bidding would be detrimental to the interest of the governing authority...At the board meeting next following the emergency purchase or repair contract, documentation of the purchase or repair contract, including a description of the commodity purchased, the price thereof and the nature of the emergency shall be presented to the board and shall be place on the minutes of the board for such governing authority."

Section 31-7-13(o), Mississippi Code Annotated (1972), states, "No contract or purchase as herein authorized shall be made for the purpose of circumventing the provisions of this section requiring competitive bids, nor shall it be lawful for any person or concern to submit individual invoice for amounts within authorized for a contract or purchase where the actual value of the contract or commodity purchased exceeds the authorized amount and the invoices therefor are split so to appear to be authorized as purchases for which competitive bids are not required."

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 expenditures, the auditor noted the following exceptions out of the 25 purchase claims tested:

- Sixteen claims did not include purchase requisitions;
- Seven invoices were possibly split to avoid needing quotes
 - Three claims, dated October 17, 2019, to BSN Sports Supply Group, in the combined total of **\$10,247**;
 - Five claims, dated October 31, 2019, to BSN Sports Supply Group, in the combined total of **\$9,649**;
 - Two claims, dated April, 9, 2020, to BSN Sports Supply Group in the combined total of **\$5,633**;
 - Seven claims, dated January 16, 2020, to BSN Sports Supply Group in the combined total of **\$13,887**;
 - Two claims, dated June 12, 2020, to Lann Chemical, in the combined total of **\$6,185**; and
 - Two claims, dated September 12, 2019, to Lann Chemical, in the combined total of **\$6,851**.

- One claim's documentation did not include an invoice for payment;
- One vendor purchase, Claim #27517, from Baldwyn Hardware totaling **\$8,681** was made without obtaining two quotes or declaration of an emergency;
- One bid was not signed by the vendor's representative; and
- Two vendor payments were paid 45 days after receiving the invoices.

Failure to obtain quotes, declare an emergency, maintain all purchase documents, and make vendor payments within 45 days resulted in the District not being in compliance with state purchasing laws.

Recommendation: We recommend the Baldwyn School District ensure compliance over purchasing by following and monitoring purchases as required by the aforementioned state statutes.

District's Response #1: Claim number #27517 was for emergency supplies after a storm occurred and ripped the roof off of one of our buildings and destroyed an awning as well. This incident happened on a Saturday and we needed the supplies for repairs so we could have school the following Monday. We wanted the grounds to be safe for the students.

District Response #2: All our Athletic Departments order their supplies as needed. Most of the purchases occur at the beginning of the year. Each Coach has their own budget and several coaches may order at the same time, unaware of what the other Coaches are doing.

Auditor's Response #1: As stated in the *Mississippi Code Section 31-7-13(k)*, the governing authority has the authority to determine an emergency exist in regards to the purchase of any commodities or repair contracts; however, at the next scheduled Board meeting following the emergency purchase or repair, documentation of the purchase, descriptions of item purchased, and price and the nature of the emergency shall be presented to the Board and placed on its minutes.

Auditor's Response #2: Regardless of the number of coaches with the School District and their approved budget, purchasing laws must be adhered to at all times, which is the responsibility of the Purchase Agent. Therefore, purchase orders should not be split in order to circumvent the state purchasing laws. During review of purchase requisitions, the auditor noted the following in regards to all BSN purchases:

The High School Football Coach made three (3) requisitions totaling **\$7,526**, on August 8th, 13th, and September 2019; The high School Basketball Boys Coach made ten (10) requisitions totaling **\$17,071**, from July 2019 to October 2019; and The High School Basketball Girls Coach made two (2) requisitions totaling **\$5,704** on September 13th and October 1st, 2019.

Repeat Finding: No.

Finding 8: 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 the review of the School District's Statements of Economic Interest, the auditor noted four Board members did not file a Statement of Economic Interest by May 1st.

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

Recommendation: We recommend the Baldwyn School District 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 members have been informed that this report is required and must be filed by the deadline.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Laws over Certified Employees' Contracts, Salary Scales, Background Checks, and MDE Certifications in Personnel Files.

Applicable State Laws: *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."

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 of the funds."

Finding Detail: During the review of the School District's certified employees' personnel files, the auditor noted the following exceptions, out of 20 files reviewed:

- One certified employee's background check was not within their personnel file;
- One certified employee's certification from the Mississippi Department of Education was not within their personnel file;
- One certified employee did not have a personnel file within the District;
- One certified employee did not have a signed supplemental contract; however;
- One certified employee's supplement contract could not be located; and
- One Principal and the Special Education Director's salaries were not part of the approved salary scale for the District.

Failure to properly verify and file new hires' backgrounds, could result in individuals with unsuitable backgrounds being hired within the District. Also, failure to ensure salaries were paid to the appropriate salary scales resulted in the District both overpaying and underpaying certified employees.

Recommendation: We recommend the Baldwyn School District strengthen controls over personnel files by ensuring criminal background checks include fingerprinting of new hires and are maintained in their personnel files, as required by law. The School District should implement policies and procedures to ensure contracts are properly executed prior to paying the salary of its certified employees. Also, the School Board, Superintendent, and Management should ensure compliance with *Section 37-9-37*, by verifying all salaries are paid according to the appropriate salary scales.

District's Response: The District person responsible for background checks will make sure the forms are in the personnel file. This will be double checked. The Business Manager will make sure all Certification documents will be kept in the personnel file. The Business Manager will also check all contracts to make sure that the employee has signed the file copy.

Repeat Finding: No.

Finding 10: 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 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 25-1-19(1), Mississippi Code Annotated (1972), states, "...All the bonds shall be filed and recorded in the office of the clerk of chancery court of the county..."

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 37-9-27, 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."

School Board Policy DJEA, Purchasing Authority, states, "'Purchasing agent" shall mean superintendent. Pursuant to the authority granted by *Section 37-39-15, Mississippi Code 1972* as amended, this school board hereby designates other individuals as "purchasing agents" subject to the limitations set forth below. (1) In addition to the superintendent the school board hereby designates the assistant superintendent and business manager as "purchasing agents" with general authority to negotiate for and purchase the commodities and services necessary for the operation of the school district, within the limits of budget categories and purchasing law. (2) This school board hereby designates the Director of Auxiliary Services and Director of Maintenance as "purchasing agents" with the limited authority to negotiate for and

purchase commodities and services for their specific areas of responsibility within the limits of budget and purchasing law.”

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

- One Board Member and the Superintendent’s bonds were for indefinite terms, instead of new bonds with definite terms;
- The District’s Board Policy designates the Business Manager, Assistant Superintendent, Director of Auxiliary Services, District of Maintenance as required to be bonded as Purchasing Agents; however, these individuals were bonded for the fiscal year 2020; and
- One Principal’s and One Purchase Agent’s bonds were not filed with the Chancery Clerk’s office.

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 Baldwyn School District ensure compliance over surety bonds by securing new bonds every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee as statutorily required.

District’s Response: I have spoken with the school’s insurance agent. We will work together to solve this problem. The District will amend their policy regarding employees who are approved as purchasing agents. The person mentioned was to fill in as interim Principal at the High School. The Bond was here in the office but was never carried to the Chancery Clerk’s to be filed because it was closed due to COVID.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Applicable State Laws: *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.”

PERS Regulation 34, Section 109, states, “After the requisite 90-day separation period as defined in *Section 106*, a retiree may contract to provide such services as a true independent contractor outside the limitations of *Section 103* while in receipt of a retirement allowance. However, prior to contracting for such services, such retiree must submit to PERS for its approval, documentation, including but not limited to, the following: the nature of the engagement, including services to be performed; how the services were performed previously, including whether they were performed by an employee and whether the independent contractor previously performed those services as an employee; nature of compensation and treatment of expenses; where the services are to be performed, i.e. on the service recipient's premises; who provides the equipment to perform the services; whether the service provider provides such services to other service recipients;

whether such services are offered for other persons through advertising or other solicitation and if so; whether the service provider has provided such services to any other service recipient in the last year and if so to how many; whether there is a written contract for the performance of such services; and other information to substantiate that the service provider is a true independent contractor and not an employee.

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

- Five Form 4Bs did not have evidence of being filed within five days of rehire;
- One Form 4B was not filed within five days of rehire; and
- Two retirees were hired as consultants; however, there was no evidence the District received authorization to pay them as independent contractors.

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

Recommendation: We recommend the Baldwyn School District ensure compliance with state law and PERS by properly paying employees, completing, and filing Form 4Bs and Independent Contractor Questionnaires with PERS.

District's Response: The Business Manager will remit all Form 4Bs to PERS within five (5) days of retiree being rehired. Also, the District will have the proper forms (PERS) when a retired consultant is hired, completed by the retiree.

Repeat Finding: No.

Finding 12: The School District Should Ensure Compliance with State Laws over Board Meeting Attendance.

Applicable State Law: *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 the review of School District's Board Member's attendance, the following exceptions were noted:

- Four Board members were absent for between twenty 20% and 27% of the Board meetings for the 2019 calendar year; and
- The School Board President did not submit a report containing the names of members of the School Board who missed twenty percent 20% or more of the meetings during the preceding calendar year.

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: We recommend the Baldwyn School District ensure compliance over Board attendance by noting if all Board members are present for more than eighty percent 80% of the meetings during each calendar year and report any absences over twenty percent 20% to the State Board of Education by February 1st.

District's Response: School Board Members will be informed of this finding and be made aware of the importance of attending all meetings.

Repeat Finding: No.

Finding 13: 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 the testing of School District's internet content filters, the auditor noted that the School District's technology protection measure (TPM) was not adequate and protection does not expand to when students are off campus. At the time of our testing, the TPM 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: We recommend the Baldwyn School District 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 Superintendent has met with the District's Technology Coordinator and corrected this problem.

Repeat Finding: No.

OTHER RECOMMENDATION BY THE OFFICE OF THE STATE AUDITOR:

The Office of the State Auditor recommends that the School Board consider obtaining new surety bonds for its Business Manager, Principals and Purchasing Agents. As noted during our test work, the Food Service Director, Cafeteria Manager, Elementary Cafeteria Manager, Principals and Purchasing Agents are covered by renewals or "Continuation Certificates". A "Continuation Certificate" is a document that extends the life of the original surety bond. A "Continuation Certificate" only covers the current bonding period rather than both the current and previous periods. Failure to have a bond in place for a specific term of employment could limit the amount available for recovery if a loss occurred over multiple terms.

End of Report

BALDWIN PUBLIC SCHOOLS

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Raymond Craven, Superintendent

*Tyler Freeman
Business Manager*

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COMPLIANCE REVIEW FINDINGS

Attn: Jason Ashley
Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, Mississippi 39205-0956

August 10, 2022

Dear Mr. White,

The Baldwin School District would like to thank the Mississippi Office of the State Auditor for the courtesy and professionalism that your staff provided our District staff during the District's 2019-2020 state legal compliance audit. Your staff performed a very detailed and thorough review of District records that has helped District management in identifying weaknesses in internal controls and many areas in the District that need to be corrected and/or improved. It is the goal of District management to adhere to all applicable laws as set forth by the State of Mississippi as well as to be good stewards of taxpayer dollars. District management plans to strengthen internal controls in problem areas that were identified as part of this audit so that we can meet the goals previously stated.

AUDIT FINDINGS:

Finding 1: The School District should strengthen internal controls over bank reconciliations.

Response: The District agrees with the finding and recommendation and will strengthen internal controls over bank reconciliations.

Corrective Action Plan:

A. The Business Manager reconciles all District bank account balances to the books monthly during month-end procedures and submits a signed summary of certified reconciled bank balances report to the School Board every month with all of the required monthly financial reports. Books are prepared on the cash basis of accounting monthly and reconciled on that same cash basis of accounting until the month

of June, which is the fiscal year-end month. The Business Manager makes modified accrual general journal entries to the books in June after the June bank reconciliations have already been prepared on the cash basis of accounting; thus, the Business Manager takes a revised summary of certified reconciled bank balances to the School Board for the month of June after year-end accrual general journal entries have been made to the books of the District and has the School Board approve the revised bank reconciliations as well as revised monthly financial reports. This is done by the Business Manager as part of the year-end close FETS process.

B. Business Manager and School Board

C. Already corrected at the October 7, 2021 board meeting prior to submitting the FYE 2020-2021 FETS report to MDE by October 15, 2021.

Finding 2: The School District should strengthen internal controls over activity fund cash receipts and deposits.

Response: The District agrees with the finding and recommendation and will strengthen internal controls over activity fund cash receipts and deposits.

Corrective Action Plan:

A. The District is in the process of revising its policies and procedures surrounding activity fund cash receipts and deposits, specifically athletic event gate receipts and deposits. The District reviewed its activity fund transmittal forms and added appropriate signature lines. Training has been done with staff regarding required reviews and signatures on these forms. In addition, athletic event gate money will be counted the night of athletic events and deposited the next Business day. Weekend event deposits will be deposited on Mondays unless Monday falls on a holiday.

B. Business Manager, Superintendent, Athletic Directors, Gate Workers, and High School Secretary

C. We anticipate successful implementation of these revisions by the end of the Fall 2022 school semester. We will monitor progress throughout the Fall.

Finding 3: The School District should strengthen internal controls over the Payroll Department.

Response: The District agrees with the finding and recommendation and will strengthen internal controls over the Payroll Department.

Corrective Action Plan:

A. The District, upon School Board approval, hired the former Business Manager as the Payroll Clerk on a part-time basis in order to implement adequate segregation of duties within the Payroll function. Tasks that were formerly done by the Business Manager exclusively are now split up between the Business Manager and the Payroll Clerk, and there are many tasks that are performed by the Payroll Clerk that are reviewed by the Business Manager prior to monthly payrolls being processed now.

B. Business Manager and Payroll Clerk

C. The hiring of the part-time Payroll Clerk was effective October 4, 2021.

Finding 4: The School District should strengthen controls and ensure compliance with state laws over budget approval.

Response: The District agrees with the finding and recommendation and will strengthen internal controls to ensure compliance with state laws over budget approval.

Corrective Action Plan:

A. The Business Manager and Superintendent will review the original and final amended budgets prior to presenting them to the School Board for approval to ensure there are no deficit fund balances approved in the budgets. At year-end during the FETS close-out process, the Business Manager will make the necessary adjusting general journal entries to the general ledger to remove any deficit fund balances prior to amending the budget.

B. Business Manager, Superintendent, School Board

C. We anticipate successful implementation of these procedures during the FETS close-out procedures for FYE 2021-2022 that's due by October 15 later this Fall.

Finding 5: The School District should ensure compliance with state laws over presenting monthly financial reports.

Response: The District agrees with the finding and recommendation and will strengthen internal controls to ensure compliance over presenting all required monthly financial reports to the School Board.

Corrective Action Plan:

A. The Business Manager ensures that monthly bank reconciliations as well as all required monthly financial reports are done timely and reviews the board agenda with the Superintendent and Superintendent Secretary prior to the monthly board meetings to ensure all of the required monthly financial reports are included on every month's board agenda.

B. Business Manager, Superintendent, Superintendent Secretary (who acts as School Board Clerk)

C. Already corrected during the 2021-2022 fiscal year.

Finding 6: The School District should ensure compliance with state laws over administrative costs.

Response: The District agrees with the finding and recommendation and will strengthen internal controls to ensure compliance with state laws over administrative costs.

Corrective Action Plan:

A. During the budgeting process annually, the Business Manager and Superintendent will review budgeted administrative costs and compare the budgeted administrative costs amount to the 4% limitation set forth in state law. At that time, the Business Manager and Superintendent will assess whether or not any administrative cost budget cuts are needed for compliance with state law.

B. Business Manager and Superintendent

C. We will address this issue during the next fiscal year budgeting cycle and prior to budgeting any new administrative personnel for the next fiscal year.

Finding 7: The School District should ensure compliance with state law over purchase laws, maintaining purchase documents, and invoice payments.

Response: The District agrees with the finding and recommendation and will strengthen internal controls to ensure compliance with state law over purchase laws, maintaining purchase documents, and invoice payments.

Corrective Action Plan:

A. The Business Manager, Superintendent, and Accounts Payable Clerk have met and identified the biggest problem areas related to purchasing compliance in the District. These areas were identified as athletics orders with coaches/athletic directors as well as the Maintenance Department. The Business Manager and Superintendent have met with coaches/athletic directors and trained them on purchasing compliance and what is required in purchasing to be in compliance with state purchase law. We have also met with the Maintenance Director and trained on purchasing compliance as well. In addition, the Business Manager now reviews and authorizes all purchase requisitions in Integrity prior to purchase orders being authorized and the orders being placed. We will continue to review and revise (if necessary) our purchasing policies and procedures to ensure compliance with state laws.

B. Business Manager, Superintendent, and Accounts Payable Clerk

C. We are currently in the process of revising our policies and procedures and training our employees on compliance with state purchase laws. We anticipate successful implementation by the end of the 2022-2023 school year.

Finding 8: The School District should ensure compliance with state laws over Statements of Economic Interest.

Response: The District agrees with the finding and recommendation and will implement procedures to ensure compliance is met with state laws over the filing of Statements of Economic Interest.

Corrective Action Plan:

A. The Superintendent and Business Manager will remind the School Board to file their Statements of Economic Interest by the May 1st deadline annually by updating the School Board members at both the March & April board meetings leading up to the May 1st deadline. The Superintendent will add this item to his Superintendent Updates every March & April during board meetings.

B. Superintendent, Business Manager, and School Board Members

C. March and April 2023 to meet the May 1, 2023 deadline.

Finding 9: The School District should ensure compliance with state laws over certified employees' contracts, salary scales, background checks, and MDE certifications in personnel files.

Response: The District agrees with the finding and recommendation and will implement procedures to ensure compliance with state laws over certified employees' contracts, salary scales, background checks, and MDE certifications in personnel files.

Corrective Action Plan:

A. The District plans to perform an internal audit of its active employee personnel files to ensure all required documentation from the hiring process for each current District employee is found in the file.

Any missing or outdated information from the personnel files that is required to be updated will be done. The Business Manager will ensure that all new employee contracts/at will employment agreements as well as updated MDE certifications are filed in personnel files on an annual basis at a minimum.

B. Superintendent, Business Manager, and Superintendent Secretary

C. We anticipate this being completed by the end of the 2022-2023 school year.

Finding 10: The School District should ensure compliance with state laws over surety bonds.

Response: The District agrees with the finding and recommendation and will implement procedures to ensure compliance with state laws over surety bonds is met.

Corrective Action Plan:

A. The Business Manager and Insurance Agent have already worked together to issue new surety bonds with definite terms to replace the continuation certificates as well as ensure that all required positions including all board approved purchasing agents are covered by surety bonds with definite terms, starting with the 2021-2022 fiscal year. Also, the Business Manager hand delivers the signed surety bonds to the Prentiss County Chancery Clerk's Office to file annually. The Business Manager and Superintendent are also reviewing board policy related to authorized purchasing agents and will make revisions to board policy as needed and upon approval by the School Board.

B. Business Manager, Superintendent, School Board, and District Insurance Agent

C. We have already corrected the continuation certificates, indefinite terms, and filing of surety bonds with the Chancery Clerk's Office. Board policy related to authorized purchasing agents will be reviewed and revised as needed by the end of the 2022-2023 school year.

Finding 11: The School District should ensure compliance with state law over reemployment of retired public employees.

Response: The District agrees with the finding and recommendation and will implement procedures to ensure compliance is met with state law over reemployment of retired public employees and the timely filing of PERS form 4B's within 5 days of rehire for retirees who are hired by the District.

Corrective Action Plan:

A. The District has revised its hiring policies and procedures to ensure a PERS Form 4B has been completed and received by Payroll and submitted to PERS within 5 days of rehire of the retiree. All potential applicants for employment are asked during the application process whether or not they're retired public employees in the State of Mississippi, and if so, it's clearly stated to them that they must fill out the PERS form 4B and submit to Payroll no later than the 5 day after hire deadline. All PERS Form 4B's are emailed to PERS by the Business Manager, and the email (with date stamp) is printed as documentation to prove the date the 4B form was submitted to PERS.

B. Business Manager and Payroll Clerk

C. Already corrected during the 2021-2022 fiscal year.

Finding 12: The School District should ensure compliance with state laws over board meeting attendance.

Response: The District agrees with the finding and recommendation and will implement procedures to ensure compliance with state laws over board meeting attendance is met.

Corrective Action Plan:

- A. The Superintendent Secretary serves as the Board Clerk and tracks School Board member meeting attendance. The Superintendent Secretary, with the assistance of the School Board President, will complete and submit the required board member attendance report by the February 1st deadline annually. Also, the Superintendent will remind school board members of the importance of attending all meetings and let them know that they will have to pay back a portion of their salary if they miss more than 20% of the board meetings during Superintendent updates at the first board meeting of the new calendar year.
- B. Board President, Superintendent, and Superintendent Secretary
- C. We've already communicated this requirement with our school board members, and we have already filed the attendance report for the 2021 calendar year.

Finding 13: The School District should ensure compliance over federal laws over Children's Internet Protection Act.

Response: The District agrees with the finding and recommendation and will strengthen internal controls to ensure compliance over federal laws over the Children's Internet Protection Act.

Corrective Action Plan:

- A. The District has purchased and successfully installed a filtering system known as IBoss. The Technology Director continually monitors compliance with the *Children's Internet Protection Act* and ensures that all required updates related to this requirement are met.
- B. Superintendent and Technology Director
- C. Already corrected during the 2021-2022 fiscal year.

Again, the Baldwin School District would like to thank the Office of the State Auditor for the courtesy and professionalism that its staff showed during the District's legal compliance audit. The District will continue to strive for excellence in managing and safeguarding taxpayer dollars in the future.

Sincerely,



Mr. Raymond Craven
Superintendent of Education