

OKOLONA 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
Deputy State Auditor
Charlotte L. Duckworth
Director, *Compliance Audit Division*



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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

October 20, 2022

Limited Internal Control and Compliance Review Management Report

Okolona School District
411 West Main Street
Okolona, Mississippi 38860

Members of the Okolona School Board:

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

1. Strengthen Internal Controls over Activity Funds' Cash Receipts and Deposits;
2. Strengthen Internal Controls Surrounding District's Cash Receipts and Deposits;
3. Strengthen Internal Controls over Fuelman Card Usage;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Preparation and Approvals;
5. Strengthen Internal Controls and Ensure Compliance with State Law over Board Minutes;
6. Ensure Compliance with State Law over Purchasing and Invoice Payments;
7. Ensure Compliance with State Law over Donations to Private Entities;
8. Ensure Compliance with State Law over Nepotism;
9. Ensure Compliance with State Law over Certified Employees;
10. Ensure Compliance with State Law over Administrative Costs;
11. Ensure Compliance with State Law over Statement of Economic Interest;
12. Ensure Compliance with State Law over Reemployment of Retired Public Employees;
13. Ensure Compliance with State Law over Surety Bonds; and
14. Ensure Compliance with Federal Law 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.

Okolona School District
November 2, 2022
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I hope you find our recommendations enable Okolona 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, flowing style.

STEPHANIE C. PALMERTREE, CPA, CGMA
Deputy State Auditor
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Okolona 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 *significant deficiencies*. These matters are noted under the heading **SIGNIFICANT DEFICIENCIES**. We also identified other deficiencies that we have noted under the heading **OTHER CONTROL 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.

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

SIGNIFICANT DEFICIENCIES

Finding 1: The School District Should Strengthen Internal Controls over Activity Funds' 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 the testing of the School District's activity fund receipts and deposits, the auditor noted the following, out of 18 tested:

- There was a net overage of **\$259** between deposits and ticket sales for all varsity basketball and football games;

- Four deposits were three to four days late, totaling **\$8,006**;
- Three deposits could not be traced to a receipt, totaling **\$3,746**;
- Twelve Cash Count Sheets were missing the signature of the verifier, ticket seller, or Principal/Assistant Principal;
- Two instances in which general admission ticket sales forms totaling **\$2,707** did not have the beginning and ending ticket numbers;
- OSA was unable to verify the ticket sale and deposit due to one missing Count Sheet and one Event Form;
- Seven transmittal sheets were not submitted to the District's Central Office; and
- There was no documentation of ticket numbers being checked out or returned.

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: We recommend the Okolona School District strengthen internal controls over policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: The District has revised its activity sheets to reflect the school event receipt sheets recommended in the MDE financial manual. As of November 6, 2020, they started using the new sheet for athletic events.

Repeat Finding: No.

Finding 2: The School District Should Strengthen Internal Controls over Segregation of Duties over Cash.

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. An effective system of internal controls should include adequate segregation of duties. A well-designed system of internal controls should include segregating job duties to the greatest extent possible.

Finding Detail: Based on the review of the School District's cash receipts and deposits, the auditor noted the District's accounting system was not adequately segregated to assure a proper internal controls structure. Also, the auditor noted the School Secretary receipts monies, prepare deposits, and takes the deposits to the bank.

Without proper segregation of duties, the District increases the risk that unauthorized or inappropriate failure to strengthen internal controls could result in fraud or misappropriation of public monies.

Recommendation: We recommend the Okolona School District strengthen internal controls over segregation of duties; specifically, in the handling of cash receipts and deposits.

District's Response: The District will ensure that two or more individuals will assist with the receipts and depositing of funds. A District wide meeting will be held prior to December 18, 2020 to reiterate the procedure for receipting and depositing funds.

Repeat Finding: No.

Finding 3: The School District Should Strengthen Internal Controls over Fuelman Card Usage.

Internal Control Deficiency: Management is responsible for ensuring all expenditures are correctly recorded and expensed in order to safeguard the assets of the District. Management is responsible for implementing proper internal controls surrounding the cash disbursement functions, maintaining and recording all credit card transactions into the general ledger.

Finding Detail: During the review of the School District's Fuelman statements, the auditor noted the following exceptions, out of 11 tested:

- Nine statements were not substantiated by receipts; and
- Purchase orders were not issued until the bills were received.

Failure to strengthen internal controls surrounding Fuelman card disbursements and usage could result in fraud, misappropriation, or loss of public funds.

Recommendation: We recommend the Okolona School District strengthen internal controls by assuring policies and procedures are strengthened surrounding the disbursements and usage of Fuelman cards.

District's Response: The Business Office is working with the transportation department to develop a spreadsheet that will be completed by the driver when purchasing fuel. At the end of each two-week period, the form will be turned in to the transportation director to be verified and signed. The form then will be turned in to the accounts payable clerk to match the purchase order & invoice. Also, a blanket purchase order was created for the Fall and Spring semesters.

Repeat Finding: No.

OTHER DEFICIENCIES AND NONCOMPLIANCE WITH STATE LAW

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budgeting Preparation and Approvals.

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

Section 37-61-21(1), Mississippi Code Annotated (1972), states, "The revised portions of the budgets shall be incorporated in the minutes of the school board by spreading them on the minutes or by attaching them as an addendum. Final budget revisions, pertinent to a fiscal year, shall be approved on or before the date set by the State Board of Education for the school district to submit its financial information for that fiscal year."

Finding Detail: During the review of the School Districts budgeting expenditures, the auditor noted the following exceptions:

- On August 13, 2019, the Board approved the original budget for fiscal year 2020 that included four funds reflecting a projected negative fund balance at year end, totaling **(\$269,700)**:
 - Fund 2124 (Summer Feeding) – **(\$4,847)**
 - Fund 2211 (Title I-A Basic FYE 2003) – **(\$264,568)**
 - Fund 2610 (EHA, Part B Grant) – **(\$196)**
 - Fund 2811 (Title IV-A Save and Drug Free) – **(\$89)**

The presentation of negative fund balances on the budget presented to the Board was likely a lack of attention to appropriate budgeting practices. All actual fund balances were not negative at June 30, 2020; however, the approval of the fund budgets with ending deficit fund balances are in violation of state law.

- The amended budget for fiscal year 2020 was not approved nor documented in the Board minutes;
- The amended budget for fiscal year 2020 included the following two funds reflecting a negative fund balance at year end, totaling **(\$2,252)**:
 - Fund 1158 (OMS General Activity Fund) – **(\$597)**
 - Fund 2090 (Extended School Year) – **(\$1,655)**
- Actual expenditures for the following two funds did not have expenditures budgeted, totaling **\$64,623**:
 - 2020 (School Recognition) - **\$62,931**
 - 2906 (K-3 Universal Screeners) - **\$1,720**
- Actual expenditures for the following five funds exceeded the budget expenditures, totaling **\$149,861**:
 - Fund 1120 (District Maintenance) - **\$75,529**
 - Fund 2020 (School Recognition) - **\$62,931**
 - Fund 4015 (Shortfall Note Fiscal Year 18) - **\$1,564**
 - Fund 4027 (2016 – 3 Mil Note) - **\$3,754**
 - Fund 4032 (General Obligation Bonds Series 2015 Note Payable) - **\$6,082**

Failure for the District to ensure there are resources for all expenditures could result in deficit fund balances. Also, the approval of the fund budgets with ending deficit fund balances is in violation of state law.

Recommendation: We recommend the Okolona School District strengthen controls and ensure compliance by implementing budgeting practices that will prevent projected negative fund balances from being presented to the School Board. A thorough review of such budgets should be made prior to presentation to the Board for approval. Additionally, we recommend the School District comply with *Mississippi Code Section 37-61-19* by ensuring all funds have available resources before expenditures are approved. Also, the Board should comply *Mississippi Code 37-61-21(1)* by ensuring all budgets are approved and spread upon the Board's minutes.

District's Response: The District will ensure that both the original and amended budgets are aligned. Expenditures and revenues will be balanced to ensure that the projected fund balance at year end is not negative. When additional funds are allocated to the District, we will ensure the revenue and expenditures are correctly budgeted in the general ledger. Expenditure budgets will be reviewed monthly to identify any discrepancies. The District will ensure that all funds are balanced prior to submission for Board approval of the budget. The Superintendent and/or the Superintendent's designee will ensure that all budgets, amended and

original, are properly approved by the School Board. The Board approved the budget; however, it was not reflected in the minutes. It was submitted to the Board for approval on October 15, 2020.

Repeat Finding: No.

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Board Minutes.

Internal Control Deficiency: Management is responsible for ensuring the assets of the School District are safeguarded, and transactions are properly documented and recorded in the School District's board minutes. OAgenda does not have the necessary controls to be considered the District's official minutes. This system should only be utilized to create and manage board packets, give access to information, and conduct meetings.

Applicable State Law: *Section 37-6-9, Mississippi Code Annotated (1972)*, states, "All minutes of the school board shall be signed by the president of the board, shall be attested by the secretary of the board and shall be adopted by the board at the next regular meeting, or within thirty (30) working days, whichever occurs later."

Finding Detail: During the review of the School District's Board minutes, the auditor noted the District utilized OAgenda to record the official Board meeting minutes; however, this software system does not have the capability to include the approved and signed minutes.

Inadequate internal controls surrounding the maintenance and preparation of the Board minutes could result in the state laws and regulations being circumvented.

Recommendation: We recommend the Okolona School District strengthen controls and ensure compliance by implementing policies and procedures to ensure all Board minutes in the future are properly signed and approved.

District's Response: All Board minutes will be signed by the Board Secretary and Board President. The Superintendent will make sure board minutes are signed before placing on OAgenda's website. The Executive Secretary will have previous board minutes available to be signed at the next regular scheduled board meeting.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 6: The School District Should Ensure Compliance with State Law over Purchasing, Maintaining Purchase Documents, and Invoice Payments.

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

and are developed independently and without knowledge of other bids or prospective bids... Bids may be submitted by facsimile, electronic mail or other generally accepted method of information distribution. Bids submitted by electronic transmission shall not require the signature of the vendor's representative unless required by agencies or governing authorities."

Section 31-7-13(d), Mississippi Code Annotated (1972), states, "... All best bid procedures for state agencies must be in compliance with regulations established by the Department of Finance and Administration. If any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid. No agency or governing authority shall accept a bid based on items not included in the specifications."

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

- The District utilized an online shopping cart as its second bid;
- Two quotes were not comparable;
- The Board approved the purchase of computers, which was not the lowest and best bid, totaling **\$10,097**. An explanation for the other than the lowest bids was not spread upon the Board minutes;
- One purchase order was dated after the invoice date; and
- Nine invoices were not paid within 45 business days of receipt.

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

Recommendation: We recommend the Okolona School District ensure compliance by properly obtaining at least two competitive bids for purchases, maintaining purchase documents, and paying invoices within 45 days, as required by state law.

District's Response: Whenever the District accepts a bid that is other than the lowest bid, documentation will be provided and properly approved by the board agenda. The Varsity purchase order made for cheerleaders' uniforms. The funds were collected from each student for her uniform. The cheer sponsor wanted to have a proper trail. Therefore, as she collected funds from the cheerleaders she ordered the uniforms as they paid. In the future, the District will make sure we bid out the uniforms. A District wide meeting will be held by 12/18/20 to address the 45 day payments, quotes, second bids, procedures for having a purchase order prior to ordering.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Donations to Private Entities.

Applicable State Law: *Article 4, Section 66, Mississippi Constitution*, states, “No law granting a donation or gratuity in favor of any person or object shall be enacted except by the concurrence of two-thirds of the members elect of each branch of the Legislature, nor by any vote for a sectarian purpose or use.”

Finding Detail: During the review of Okolona School District, the auditor noted the District donated three buses to two local private organizations.

The donation of goods by the District was a violation of *Mississippi Constitution* and may result in loss of public assets.

Recommendation: We recommend the Okolona School District ensure compliance over donations by disposing of surplus assets through advertisement and public bids.

District’s Response: Superintendent will ensure that the Okolona School District will not donate any entity or school items to a government organization. The Okolona School District will review its policy to make sure it’s stated in the policy.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Nepotism.

Applicable State Law: *Section 37-9-21, Mississippi Code Annotated (1972)*, states, “It shall be illegal for any superintendent, principal or other licensed employee to be elected by the school board if such superintendent, principal or licensed employee is related within the third degree by blood or marriage according to the common law to a majority of the member of the school board. No member of the school board shall vote for any person as a superintendent, principal or licensed employee who is related to hi within the third degree by blood or marriage or who is dependent upon him in a financial way. Any contract entered into in violation of the provisions of this section shall be null and void.” *Section 25-4-29(1)(a), Mississippi Code Annotated (1972)*, states, “Every incumbent public official required by paragraphs (a), (b), (d) and (e) of *Section 25-4-25* 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.”

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

other proceeding should state the recusing board member left the room before the matter came before the board and did not return until after the vote...”

Finding Detail: During the review of the School District’s related party questionnaires, Board minutes, and contracts, the auditor noted one Board Member failed to recuse themselves from voting matters concerning their sibling.

Failure of the Board members from recusing themselves during the vote for relatives resulted in the violation of *Mississippi Ethics Opinion 14-051-E* and *Mississippi Code Section 37-9-21*.

Recommendation: We recommend the Okolona School District ensure compliance with *Mississippi Ethics Opinion 14-051-E* and *Mississippi Code Section 37-9-21*, by recusing themselves during the vote of relative within the third degree.

District’s Response: The Okolona School District will ensure Board Members will not be allowed to vote on matters concerning family members within the third degree. The Superintendent along with the School Board direct the Board Member to recuse his or herself. The action will be noted in the Board minutes.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Certified Employees’ Salaries and Maintaining Background Checks, and MDE Certifications in Personnel Files.

Applicable State Law: *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 the testing of the School District’s certified employees, the auditor noted the following exceptions, out of 20 tested:

- Six personnel files did not include the educator’s certifications;
- The District did not obtain background checks for four employees;
- One certified teacher’s contract was not dated by the Superintendent; and

- One School Recognition Contract Addendum was not signed by the Superintendent.

Recommendation: We recommend the Okolona School District strengthen controls over personnel matters by ensuring criminal background checks and MDE certifications are obtained and maintained in personnel files of its employees, as required by state law. Also, the School District should ensure all contractual documentation is properly signed by the Superintendent.

District's Response: The District is in the process of purchasing a fingerprinting machine to ensure that all employees have background checks completed in a timely manner. The results will be returned within two hours which will allow the Business Office to print it and place it in the employee's folder. Upon School Board approval to hire teachers, the Human Resources Clerk will go into MDE SIMS system and print the teacher's license to place in his/her employee folder. All employee folders will be reviewed and signed off on to ensure everything is in the personnel folder.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

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

Finding Detail: During the testing of the School District's Statements of Economic Interest, the auditor noted three Board members filed their statements after the May 1st deadline and one Board Member failed to file their statement for the 2020 fiscal year.

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

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

District's Response: The School Board President, along with the Superintendent, will create a timeline calendar dating when all members of the Board must file their Statement of Economic Interest. The Superintendent will remind each Board Member in January that Statements of Economic Interest are due before May 1st.

Repeat Finding: Yes.

Finding 12: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

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

Mississippi Public Employment Retirement System (PERS) Board Regulation 34, Section 105, states, “The lawfully employ a PERS service retiree under Section 103, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of \$300 penalty per occurrence payable by the employer.”

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

- One retiree’s contract was more than the allowed salary by PERS, totaling **\$7,955**;
- Two rehired retirees were paid a total salary of **\$13,268**; however, the District did not have Form 4Bs on file with the District; and
- Three PERS Form 4Bs did not have evidence of being filed within five days of rehire.

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

Recommendation: We recommend the Okolona School District Payroll Clerk ensure compliance with state law and PERS by properly paying employees, completing, and filing Form 4Bs within five days of rehire.

District’s Response: The District will work with all administrators to make sure they understand the procedures for retirees. Upon the Board approval of hiring, all retirees will be required to complete a Form 4B and the Business Office will submit it to PERS via fax or email.

Repeat Finding: Yes.

Finding 13: The School District Should Ensure Compliance with State Law over Surety Bonds.

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

Section 25-1-19(1), Mississippi Code Annotated (1972), states, “...The bonds of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the office of the clerk of the chancery court of the county...”

Section 37-6-15, 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. Such bond shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located, and shall be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund.”

Section 37-9-31, 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 (\$50,000.00), with sufficient surety. The premium upon said bond shall be paid from the maintenance funds of the district served by such principal. Such bond shall be payable, conditioned and approved in the manner provided by law. All such bonds shall be filed and recorded in the office of the clerk of the chancery court of the county in which the school district is located.”

Section 37-39-21, Mississippi Code Annotated (1972), states, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000.00), with sufficient surety. Such bonds shall be payable, conditioned and approved in the manner provided by law, and shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located. The premium on said bond shall be paid out of the school district(s) maintenance fund(s).”

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

- Two Board members, Superintendent, and one Purchase Agent were covered by continuation certificates;
- Three Board members’ bonds were not properly filed with the Chancery Clerk’s office;
- One new Board member and one Purchase Agent were not properly bonded for the fiscal year 2020;
- Five Board members were included in the District’s blanket bond, which is not allowed under state law. The blanket bond was also a continuation certificate; and
- The following employees’ bonds were not filed with the Chancery Clerk’s office until June 22, 2020:
 - Blanket Bond – 19 District employees;
 - Three Board members;
 - Superintendent;
 - Business Manager; and
 - Two Purchase Clerks

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

District's Response: The Superintendent of the Okolona School District will ensure that a new bond will be secured at the beginning of each term of office or every four years. In addition, the Superintendent and the Purchasing Agent will also be bonded. The Executive Assistant will make sure that all important individuals are bonded and is filed at the Office of the Clerk of the Chancery Court of the County in Chickasaw.

Repeat Finding: Yes.

Finding 14: The School District Should Ensure Compliance with Federal Law over Children's Internet Protection Act.

Applicable Federal Law: The *Children's Internet Protection Act* requires schools to implement "technology protection measures" to block or filter internet access to content that is obscene, child pornography, or harmful 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 review of School District's internet, the auditor noted the filter's real life monitoring function was unable to view notifications from the attempted views and searches for the tested items. Per inquiry, in fiscal year 2021, students are issued devices and allowed to take them off campus, however, these devices are not subject to any technology protection measures while off campus. Additionally, a notification is not made to the I.T. Director when minors attempt to access inappropriate material, and monitoring reports are generally only viewed on Monday and Friday. If a questionable site is found on the report, an administrator and the Superintendent are notified.

Failure to ensure that inappropriate online content can be effectively blocked or filtered resulted in non-compliance with the *Children's Internet Protection Act*.

Recommendation: We recommend the Okolona School District ensure compliance by implementing adequate "technology protection measures" as described by the Children's Internet Protection Act to ensure that inappropriate internet content and content that could be considered harmful to minors is effectively blocked and that the internet activity of minors may be effectively monitored pursuant to the requirements of 47 U.S.C. 254(h)(5)(B). Also, the School District should implement controls to ensure that internet content filters are working effectively and detect failures or disruptions in filtering promptly.

District's Response: The I.T. Director will ensure monitoring of all technology devices and network. Each school will appoint someone to monitor district use of technology sites and devices. The I.T. Director will place filters on Chromebooks and computers block keywords and phrases that is viewed as inappropriate for minors that can be viewed as safety or threat to the District.

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 Principals and Purchasing Agents. As noted during our test work, the Principals and Purchasing Agents are covered by renewals or continuation certificate. A "continuation certificate" is a document that extends the life of the original surety bond. A continuation certificate only covers the current bonding period rather than both the current and previous periods. Failure to have a bond in place for a specific term of employment could limit the amount available for recovery if a loss occurred over multiple terms.

End of Report



Okolona Municipal Separate School District

Dr. Paul Moton • Superintendent of Education

411 West Main Street, Okolona, MS 38860

• Tel: 662.447.2353 • Email: pmoton@okolona.k12.ms.us

COMPLIANCE REVIEW FINDINGS

November 1, 2022

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

Dear Mr. White:

The Okolona School District has received the report of findings from the Limited Internal Control and Compliance Review Audit conducted for the fiscal year ending June 30, 2020. Below are the responses and corrective action plans for your review.

AUDIT FINDINGS:

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

Finding Detail: During the testing of the School District's activity fund receipts and deposits, the auditor noted the following, out of 18 tested:

- There was a net overage of \$259 between deposits and ticket sales for all varsity basketball and football games
- Four deposits were three to four days late, totaling \$8,006;
- Three deposits could not be traced to a receipt, totaling \$3,746;
- Twelve Cash Count Sheets were missing the signature of the verifier, ticket seller, or Principal/Assistant Principal;
- Two instances in which general admission ticket sales forms totaling \$2,707 did not have the beginning and ending ticket numbers;
- OSA was unable to verify the ticket sale and deposit due to one missing Count Sheet and one Event Form;
- Seven transmittal sheets were not submitted to the District's Central Office; and
- There was no documentation of ticket numbers being checked out or returned.

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The Okolona School District has revised the activity sheet to reflect the school event form

recommended by the MDE Financial Manual. Activity sheets are required to be submitted to the business office within five days of the event. At month end, activity sheets are reconciled to the transmittal form to ensure that all receipts have been accounted for. Also, there has been a one on one training with the secretary on procedures for receipting funds and completing the activity sheets. A district wide meeting was held on March 5, 2021 to review and reiterate the procedures for properly completing activity sheets, transmittal forms and receipting and depositing funds.

B. Casandra Trimble, Annie Simmons, Lillian Fair and Angelena Cook

C. June 30, 2021

Finding 2: The School District Should Strengthen Internal Controls over Segregation of Duties over Cash.

Finding Detail: Based on the review of the School District's cash receipts and deposits, the auditor noted the District's accounting system was not adequately segregated to assure a proper internal controls structure. Also, the auditor noted the School Secretary receipts monies, prepare deposits, and takes the deposits to the bank.

Without proper segregation of duties, the District increases the risk that unauthorized or inappropriate failure to strengthen internal controls could result in fraud or misappropriation of public monies.

Response: Okolona School District complies with this finding.

Corrective Action Plan:

D. The Okolona School District has strengthened its internal control over segregation of duties over cash by having two or more individuals assist with the receipts and depositing of funds. A district wide meeting was held on March 5, 2021 to review and reiterate the procedures for receipting and depositing funds.

E. Casandra Trimble

F. June 30, 2021

Finding 3: The School District Should Strengthen Internal Controls over Fuelman Card Usage.

Finding Detail: During the review of the School District's Fuelman statements, the auditor noted the following exceptions, out of 11 tested:

- Nine statements were not substantiated by receipts; and
- Purchase orders were not issued until the bills were received.

Failure to strengthen internal controls surrounding Fuelman card disbursements and usage could result in fraud, misappropriation, or loss of public funds.

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The Okolona School District has strengthened its internal control over Fuelman Card Usage by working with the transportation department to develop a form to be completed by each driver when purchasing fuel. The driver will turn the form in to the transportation director for a signature. The form will then be turned in to the accounts payable clerk to be reconcile with the invoices monthly. Also, a blanket purchase order is created at the beginning of the fiscal year for fuel purchases.
- B. Casandra Trimble, Annie Simmons, Jason Pickens
- C. June 30, 2022

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budgeting Preparation and Approvals.

Finding Detail: During the review of the School Districts budgeting expenditures, the auditor noted the following exceptions:

- On August 13, 2019, the Board approved the original budget for fiscal year 2020 that included four funds reflecting a projected negative fund balance at year end, totaling (\$269,700):
 - Fund 2124 (Summer Feeding) – (\$4,847)
 - Fund 2211 (Title I-A Basic FYE 2003) – (\$264,568)
 - Fund 2610 (EHA, Part B Grant) – (\$196)
 - Fund 2811 (Title IV-A Save and Drug Free) – (\$89)

The presentation of negative fund balances on the budget presented to the Board was likely a lack of attention to appropriate budgeting practices. All actual fund balances were not negative at June 30, 2020; however, the approval of the fund budgets with ending deficit fund balances are in violation of state law.
- The amended budget for fiscal year 2020 was not approved nor documented in the Board minutes;
- The amended budget for fiscal year 2020 included the following two funds reflecting a negative fund balance at year end, totaling (\$2,252):
 - Fund 1158 (OMS General Activity Fund) – (\$597)
 - Fund 2090 (Extended School Year) – (\$1,655)
- Actual expenditures for the following two funds did not have expenditures budgeted, totaling \$64,623:
 - 2020 (School Recognition) - \$62,931
 - 2906 (K-3 Universal Screeners) - \$1,720
- Actual expenditures for the following five funds exceeded the budget expenditures, totaling \$149,861:
 - Fund 1120 (District Maintenance) - \$75,529
 - Fund 2020 (School Recognition) - \$62,931
 - Fund 4015 (Shortfall Note Fiscal Year 18) - \$1,564

- Fund 4027 (2016 – 3 Mil Note) - \$3,754
- Fund 4032 (General Obligation Bonds Series 2015 Note Payable) - \$6,082

Failure for the District to ensure there are resources for all expenditures could result in deficit fund balances. Also, the approval of the fund budgets with ending deficit fund balances is in violation of state law

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The Okolona School District has strengthened its internal controls and ensured compliance with state law over budgeting preparation and approvals by ensuring that both the original and amended budgets are properly aligned. The budget will be reviewed quarterly to identify any discrepancies. The Superintendent and/or Superintendent's designee will ensure that all budgets are board approved.
- B. Casandra Trimble
- C. June 30, 2022

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Board Minutes

Finding Detail: During the review of the School District's Board minutes, the auditor noted the District utilized OAgenda to record the official Board meeting minutes; however, this software system does not have the capability to include the approved and signed minutes.

Inadequate internal controls surrounding the maintenance and preparation of the Board minutes could result in the state laws and regulations being circumvented.

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The Okolona School District has strengthened its internal controls and ensured compliance with state law over board minutes by having all board minutes signed by the School Board Secretary and School Board President. The Executive Secretary will have the previous board minutes available to be signed at the next regular board meeting. Once signed, the Executive Secretary will upload the signed minutes into OAgenda.
- B. Paul Moton, Tonya Little
- C. June 30, 2021

Finding 6: The School District Should Ensure Compliance with State Law over Purchasing, Maintaining Purchase Documents, and Invoice Payments.

Finding Detail: During the review of the School District's expenditures, the auditor noted the following exceptions, out of 25 tested:

- The District utilized an online shopping cart as its second bid;
- Two quotes were not comparable;
- The Board approved the purchase of computers, which was not the lowest and best bid, totaling \$10,097. An explanation for the other than the lowest bids was not spread upon the Board minutes;
- One purchase order was dated after the invoice date; and
- Nine invoices were not paid within 45 business days of receipt.

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

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The Okolona School District will ensure that all bids have proper board approval and that the board minutes reflects the reasoning for accepting any bid other than the lower bid. Also, the Business Manager held a district wide meeting on March 5, 2021 to review the purchasing law and reiterate the procedures for purchasing.
- B. Casandra Trimble
- C. July 1, 2021

Finding 7: The School District Should Ensure Compliance with State Law over Donations to Private Entities.

Finding Detail: During the review of Okolona School District, the auditor noted the District donated three buses to two local private organizations.

The donation of goods by the District was a violation of Mississippi Constitution and may result in loss of public assets.

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The Okolona School District will ensure that any obsolete items/assets are disposed of through advertisement and public bids.
- B. Paul Moton
- C. August 4, 2022

Finding 8: The School District Should Ensure Compliance with State Law over Nepotism.

Finding Detail: During the review of the School District's related party questionnaires, Board minutes, and contracts, the auditor noted one Board Member failed to recuse themselves from voting matters concerning their sibling.

Failure of the Board members from recusing themselves during the vote for relatives resulted in the violation of Mississippi Ethics Opinion 14-051-E and Mississippi Code Section 37-9-21.

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The School Board Members will recuse themselves from the recommendation and voting process for any family member who is related to him/her within the third degree by blood or marriage or who is dependent upon him/her in a financial way. The Executive Secretary will record the recusal in the minutes.
- B. Nathaniel Armistad and Tonya Little
- C. June 30, 2021

Finding 9: The School District Should Ensure Compliance with State Law over Certified Employees' Salaries and Maintaining Background Checks, and MDE Certifications in Personnel Files

Finding Detail: During the testing of the School District's certified employees, the auditor noted the following exceptions, out of 20 tested:

- Six personnel files did not include the educator's certifications;
- The District did not obtain background checks for four employees;
- One certified teacher's contract was not dated by the Superintendent; and
- One School Recognition Contract Addendum was not signed by the Superintendent.

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The District purchased a fingerprinting machine to ensure that all employees have background checks completed. Once the results are returned, the HR clerk will place the report in the employee's personnel folder. The HR Director will provide the license to the HR Clerk to place in each employee's personnel folder. The HR Clerk will ensure insure that all documentation has been signed and dated prior to filing the information in the employee's personnel folder.
- B. Casandra Trimble, Annie Simmons, Ken McGaha
- C. July 1, 2021

Finding 11: The School District Should Ensure Compliance with State Law over Statements of Economic

Interest

Finding Detail: During the testing of the School District's Statements of Economic Interest, the auditor noted three Board members filed their statements after the May 1st deadline and one Board Member failed to file their statement for the 2020 fiscal year.

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

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The Superintendent, along with the School Board President will create a timeline calendar dating when all members of the Board must file their Statement of Economic Interest.
- B. Paul Moton, Kinard Moore
- C. August 4, 2022

Finding 12: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

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

- One retiree's contract was more than the allowed salary by PERS, totaling \$7,955;
- Two rehired retirees were paid a total salary of \$13,268; however, the District did not have Form 4Bs on file with the District; and
- Three PERS Form 4Bs did not have evidence of being filed within five days of rehire.

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The payroll department will that all retirees complete and return Form 4B before his/her initial start date. The form will be submitted to PERS no later than the day following completion. The submission date will be documented.
- B. Annie Simmons
- C. June 30, 2022

Finding 13: The School District Should Ensure Compliance with State Law over Surety Bonds.

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

exceptions:

- Two Board members, Superintendent, and one Purchase Agent were covered by continuation certificates;
- Three Board members' bonds were not properly filed with the Chancery Clerk's office;
- One new Board member and one Purchase Agent were not properly bonded for the fiscal year 2020;
- Five Board members were included in the District's blanket bond, which is not allowed under state law. The blanket bond was also a continuation certificate; and
- The following employees' bonds were not filed with the Chancery Clerk's office until June 22, 2020:
 - Blanket Bond – 19 District employees;
 - Three Board members;
 - Superintendent;
 - Business Manager; and
 - Two Purchase Clerks

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The Executive Secretary will contact the bonding company and replaced all continuation bonds with bonds for a defined period of time. Also, she will ensure that all Board Members are on a separate bond, all individuals who need to be bonded are properly bonded and all bonds are filed with the Chancery Clerk's office in a timely manner.
- B. Tonya Little
- C. July 1, 2021

Finding 14: The School District Should Ensure Compliance with Federal Law over Children's Internet Protection Act.

Finding Detail: During the review of School District's internet, the auditor noted the filter's real life monitoring function was unable to view notifications from the attempted views and searches for the tested items. Per inquiry, in fiscal year 2021, students are issued devices and allowed to take them off campus, however, these devices are not subject to any technology protection measures while off campus. Additionally, a notification is not made to the I.T. Director when minors attempt to access inappropriate material, and monitoring reports are generally only viewed on Monday and Friday. If a questionable site is found on the report, an administrator and the Superintendent are notified.

Failure to ensure that inappropriate online content can be effectively blocked or filtered resulted in non-compliance with the Children's Internet Protection Act.

Response: Okolona School District complies with this finding.

Corrective Action Plan:

- A. The IT Director has purchased Linewize for content filtering. The software also sends the IT Director red flag notifications if and when inappropriate content has been or it trying to be accessed.
- B. Phil Anderson
- C. August 9, 2021

Please do not hesitate to contact me if any additional information is needed.

Respectfully,

Dr. Paul Moton, Superintendent

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the left.