



**Prentiss County School District**

**COMPLIANCE REPORT**

Limited Internal Control and Compliance Review Management Report

For the year ended *June 30, 2020*

**SHAD WHITE**

**State Auditor**

**Stephanie C. Palmertree, CPA, CGMA**

*Director, Financial and Compliance Audit Division*

**Derrick Garner, CPA, CFE**

*Director, Compliance Audit Division*





**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
Shad White  
AUDITOR**

July 27, 2020

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

Prentiss County School District  
105 North College Street  
Booneville, Mississippi 38829

Members of the Prentiss County School Board:

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

1. Strengthen Internal Controls over Bank Reconciliations;
2. Strengthen Internal Controls over Activity Fund Disbursements;
3. Strengthen Internal Controls over Travel Reimbursements;
4. Strengthen Internal Controls over Athletic Event Revenues;
5. Strengthen Internal Controls over Purchasing;
6. Ensure Compliance with State Laws over Purchase Orders;
7. Ensure Compliance with State Laws over Rehiring PERS Retirees;
8. Ensure Compliance with State Laws over Statements of Economic Interest;
9. Ensure Compliance with State Laws over Purchasing;
10. Ensure Compliance with State Laws over Board Minutes;
11. Ensure Compliance with State Laws over Background Checks;
12. Ensure Compliance with State Laws over Monthly Financial Reports; and
13. Ensure Compliance with State Laws over Surety Bonds.

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.

Prentiss County School District  
July 27, 2020  
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I hope you find our recommendations enable Prentiss County 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  
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 Prentiss County School District for the year ended June 30, 2020. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA; Travis Mitchell, CPA; Brandon Armstrong; Bryan White, CPA; and Shelly McKee.

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.

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### **SIGNIFICANT DEFICIENCIES:**

**Finding 1:** The School District Should Strengthen Internal Controls over Bank Reconciliations.

**Internal Control Deficiency:** An effective system of internal control requires complete and timely reconciliation of school depository accounts.

**Finding Detail:** During our review of Prentiss County School District's activity funds, we noted that three (3) reconciled bank accounts differed from the reconciled book balance by a total of \$7,656. After inquiry of the Business Manager, she indicated that the difference for one (1) account was a result of the school secretary entering three (3) receipts with inverted balances. The difference in the other two (2) accounts was a result of the interest not being booked each month correctly.

Failure to apply effective internal controls could result in inaccurate reports provided to the Board, and potential loss of public funds.

**Recommendation:** The School District should ensure policies and procedures are established and followed to ensure complete and timely reconciliation of all school depository accounts.

**Repeat Finding:** No.

**Management's Response:** The District will book interest earned on clearing accounts monthly. The District will ensure bank statements agree to general ledger amounts reported in accounting software.

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**Finding 2:** The School District Should Strengthen Internal Controls over Activity Fund Disbursements.

**Internal Control Deficiency:** An effective system of internal control should require that the Board approve disbursement from the District's activity funds before disbursement of payment of claims.

**Finding Detail:** During our review of Prentiss County School District's activity funds, we noted that the District's activity funds disburse payments on claims before the approval by the Board of Education.

Failure to follow adequate internal controls could result in fraud and misappropriate or loss of public funds.

**Recommendation:** We recommend the School District strengthen controls to require the Board approve all payments of claims of the Board of Education before the disbursement of monies.

**Repeat Finding:** No.

**Management's Response:** The District will have activity funds disbursements approved at board meetings.

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#### **OTHER CONTROL DEFICIENCIES:**

**Finding 3:** The School District Should Ensure Compliance with School Board Policy over Travel Reimbursements.

**Internal Control Deficiency:** *Prentiss County School District Policy DJD (Revised 09/19/2016)*, states, "Administrative personnel and others who have first been authorized by the Superintendent to travel in the performance of their duties shall be advanced or reimbursed their expenses by the school district for such travel as indicated below:

- For each mile actually and necessarily traveled in the employee's automobile or other private motor vehicles, the same rate of pay per mile as set by the Mississippi Department of Finance and Administration. The board expects employees to carpool, where two (2) or more employees are traveling to the same destination. In such an event only one (1) travel expense allowance at the authorized rate per mile shall be allowed for any one (1) trip;
- When such travel is done by means of a public carrier or other means not involving a private motor vehicle, the employee shall receive as travel expense the actual fare or other expenses incurred in such travel;
- Employees shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of such travel, subject to limitations placed on meals for intrastate and interstate official travel by the Mississippi Department of Finance and Administration.

A well-designed system of internal controls for travel expense reimbursements require that adequate documentation substantiating expenses and purpose be provided and approved by the School Board to reimburse

a person that is not a School District employee. The same system of internal controls should also prohibit travel expense reimbursements to personnel on days for which they are on personal leave

**Finding Detail:** During our review of travel expenditures at the Prentiss County School District, we noted the following exceptions:

- Twenty-three (23) instances where travel in a private automobile was reimbursed at a rate lower than the stated rate in the Board's policy;
- Eighteen (18) instances where travel was not first authorized by the Superintendent or School Board;
- One (1) instance where travel expenses were reimbursed in the amount of \$16 to the District 5 Board Member, however, the claim was not substantiated by documentation;
- One (1) instance where travel expenses were reimbursed in the amount of \$256 to a person other than a District employee;
- Twenty-one (21) instances where no corroborating evidence for the purpose of the travel was attached to the claim; and,
- Three (3) instances where employees received travel reimbursements while on personal leave. The details are as follows:

Name	Date of Leave	Travel Points	Mileage	Mileage Rate	Mileage Reimbursed
Employee 1	7/26/2018	HC,Thrasher,JHS	48	0.50	24.00
	8/6/2018	NS	26	0.50	13.00
	11/1/2018	All Schools	122	0.50	61.00
Employee 2	7/25/2018	County Office	18	0.50	9.00
	7/26/2018	County Office	18	0.50	9.00
Employee 3	10/17/2018	Ju-Th;Th-Wh	24	0.50	12.00
	10/18/2018	Wh-Mar;Mar-HC	24	0.50	12.00
	10/19/2018	Ju-Th;Th-unknown	24	0.50	12.00
	10/22/2018	Ju-Th;Th-Wh	24	0.50	12.00

Failure to strengthen internal controls over travel expense reimbursements could result in fraud, misappropriation, or loss of public funds.

**Recommendation:** We recommend the School District strengthen internal controls to ensure that employees are not using leave the same dates as the travel occurs and to ensure that supporting documentation is submitted before reimbursing employees for travel expenses.

**Repeat Finding:** No.

**Management's Response:** The District will update policies and procedures to ensure travel is approved first by the Superintendent or board, along with updating mileage reimbursement costs. The District will implement control procedures and policies to correct deficiencies. The District will ensure travel is reconciled and have proof of travel.

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**Finding 4:** The School District Should Strengthen Internal Controls over Athletic Event Revenues.

**Internal Control Deficiency:** An effective system of internal control requires a timely deposit of activity fund receipts, as well as the function of issuing tickets at sporting events in order to document the total number of tickets sold at each game. This helps to ensure all monies receipted were properly documented and provided to the School District.

**Finding Detail:** During our review of athletic event revenues for five (5) Thrasher High School Football games, sixteen (16) Jumpertown High School basketball games, and eighteen (18) New Site High School basketball games, we noted the following exceptions:

- Thrasher High School made four (4) untimely deposits ranging from one (1) to two (2) days late;
- Jumpertown High School made two (2) untimely deposits ranging from one (1) to two (2) days late;
- New Site High School made six (6) untimely deposits ranging from one (1) to two (2) days late;
- Thirty-eight (38) out of forty-eight (48) activity event forms were not completed correctly resulting in missing information, such as: school name, total sales amounts not completed, no receipt numbers or deposit dates forms, workers and principals' names missing, ticket price missing, opponent name missing, Event date missing, and ending ticket number attached to the form not matching the ending ticket documented on the form, and;
- Ten (10) instances in total where the deposits did not equal the calculated revenue, with a net effect of \$82 over.

Failure to maintain proper internal controls could result in fraud and misappropriations or loss of public funds.

**Recommendation:** We recommend the School District strengthen controls to ensure timely deposits of activity fund receipts, as well as to ensure proper documentation of receipts from athletic events.

**Repeat Finding:** Yes, 2018-001.

**Management's Response:** The District will work with staff at the local school level to ensure more timely deposits. The District will train the staff to ensure forms are correctly completed.

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**Finding 5:** The School District Should Strengthen Internal Controls over Purchasing.

**Internal Control Deficiency:** An effective system of internal control requires purchase orders to be approved prior to purchases being made, and compliance with the District's policies.

**Finding Detail:** During our review of the purchasing procedures for a sample of forty-two (42) purchases made by Prentiss County School District, the following exceptions were noted:

- Three (3) instances where Purchase Orders to Jumper Oil Company were issued at the end of the month, after purchases for \$40,511 were completed. Additionally, these purchases included receipts to Ramey's, not Jumper Oil. Inquiry of personnel indicated Jumper Oil owned the fuel tanks at Ramey's; however, there was no documentation of an agreement to obtain fuel from Ramey's and pay Jumper Oil; and
- One (1) instance of a purchase being made from a quote from Crossroads Outdoor, for a 2020 Polaris Ranger 500 side-by-side not an invoice, for \$8,780.

Failure to exercise proper internal controls over purchase orders could lead to unauthorized expenditures.

**Recommendation:** We recommend the School District strengthen internal controls over purchasing.

**Repeat Finding:** No.

**Management's Response:** The District will sign an agreement with Ramey's and Jumper Oil showing the District is indeed only purchasing from Jumper Oil. The District will ensure an invoice is given in place of a quote to pay.

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#### **INSTANCES OF NONCOMPLIANCE WITH STATE LAW:**

**Finding 6:** The School District Should Ensure Compliance with State Laws over Purchase Orders.

**Applicable State Law:** *Section 37-37-1, Mississippi Code Annotated (1972)*, states, "The State Department of Education is hereby authorized and directed to prescribe and formulate for use by all school districts of this state, including municipal separate school districts, adequate accounting systems and other essential financial records which shall be uniform for all of the school districts of this state. Such uniform system shall include a method of accounting for and keeping records of all funds received, handled and disbursed by such school district, whether derived from taxation or otherwise, including funds derived from donations, athletic events and other special activities of the school district. The uniform system of accounts so prescribed and formulated by the State Department of Education shall be distributed and disseminated to all of the school districts of this state and it shall be mandatory that the boards of trustees of all such school districts install, utilize and follow said uniform system of accounts in keeping the financial records of the school district. At the request of the Mississippi Department of Education, the Office of the State Auditor shall provide advice for the implementation of this section."

*Mississippi Department of Education Accounting Manual for School Districts, Section D (Revised 2/1/2003)*, states, "The school board may exempt certain purchases from purchase order requirements. This may be achieved by the school board's approved purchasing policy detailing, which type(s) of transactions are exempt from purchase order requirements."

**Finding Detail:** During our review of Prentiss County School District, we were informed that expenditures for mileage reimbursements, utilities, debt payment, insurance, and fuel were exempt from purchase order requirements. Upon examination of the School District's purchasing policies, we noted that such exemptions were not provided in detail.

Failure to provide detailed exemptions from purchase order requirements could result in fraud, misappropriation, or loss of public funds.

**Recommendation:** We recommend the School District ensure compliance by adopting a purchasing policy that details the types of transactions that are exempt from purchase order requirements.

**Repeat Finding:** No.

**Management's Response:** The District will update Board policies and procedures and ensure they are followed.

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**Finding 7:** The School District Should Ensure Compliance with State Laws over Rehiring PERS Retirees.



**Applicable State Law:** *Section 25-11-127(1)(a), Mississippi Code Annotated (1972)*, states, "No person who is being paid a retirement allowance or a pension after retirement under this article shall be employed or paid for any service by the State of Mississippi, including services as an employee, contract worker, contractual employee or independent contractor, until the retired person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement. After the person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement or such later date as established by the board, he or she may be re-employed while being paid a retirement allowance under the terms and conditions provided in this section."

*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."

**Finding Detail:** During our review of the Prentiss County School District's PERS Form 4Bs for Fiscal Year 2019 and 2020, we noted thirty-two (32) instances where the PERS Form 4B was not completed within five (5) days of re-employment. We also noted the following exceptions:

- Twelve (12) instances in Fiscal Year 2019 and four (4) instances in Fiscal Year 2020 where the PERS Form 4Bs were not completed correctly. Due to this, we noted the following:
  - Two (2) instances in Fiscal Year 2019 where we were unable to determine if the employee was not re-employed for at least ninety (90) days after retirement, due to the date of retirement or retiree's hire date not being completed on the PERS Form 4B.
  - One (1) instance where the employee was rehired prior to ninety (90) days after retirement, as the PERS Form 4B had the same date completed for date of retirement and retiree's hire date.
  - Ten (10) instances in Fiscal Year 2019 and two (2) instances in Fiscal Year 2020 where we were unable to determine if the PERS Form 4B had been completed within five (5) days of re-employment, because the retiree's hire date was not completed.
- One (1) instance in Fiscal Year 2019 and one (1) instance in Fiscal Year 2020 where there was no written contract between the District and the retiree who had been determined by PERS to be an Independent Contractor.

Failure to file the PERS Form 4Bs as required by the statute provided above could result in overpayments to a retiree and the District being assessed penalties by PERS.

**Recommendation:** We recommend the School District ensure compliance with *Section 25-11-127(4)* by properly completing and filing the Form 4Bs within five (5) days of reemployment/termination. Also, we recommend the School District ensure that a retiree has been retired at least ninety (90) days before being hired as a retiree.

**Repeat Finding:** No.

**Management's Response:** The District hires all part-time and subs in July; therefore, actual work is not performed before 4B is complete. The District will ensure forms are completed completely. The District will ensure forms are completed completely and correctly. All independent contractors will have a board-approved contract for services performed.

**Finding 8:** The School Board Should Ensure Compliance with State Laws over Statements of Economic Interest.

**Applicable State Law:** *Section 25-4-25, Mississippi Code Annotated (1972)*, states, "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 ...; (b) Members of local school boards that administer public funds, regardless of whether such members are elected or appointed ..."

*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."

*Section 25-4-29(2), Mississippi Code Annotated (1972)*, states, "Any person who fails to file a statement of economic interest within thirty (30) days of the date the statement is due shall be deemed delinquent by the commission. The commission shall give written notice of the delinquency to the person by United States mail or by personal service of process. If within fifteen (15) days of receiving written notice of delinquency the delinquent filer has not filed the statement of economic interest, a fine of Fifty Dollars (\$50) per day, not to exceed a total fine of One Thousand Dollars (\$1,000), shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed."

**Finding Detail:** During our review of Prentiss County School District's Statements of Economic Interest, we noted that the Superintendent and one (1) Board Member did not file a Statement of Economic Interest with the Mississippi Ethics Commission, and such statements remained unfiled as of November 8, 2019.

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

**Recommendation:** We recommend the School District ensure the Superintendent and each Board Member should file the Statement of Economic Interest annually, no later than May 1<sup>st</sup> of each year that such official holds office, regardless of the duration.

**Repeat Finding:** No.

**Management's Response:** Superintendent completed Statement of Economic interest on November 20, 2019. The District will remind all board members to complete the form by required date.

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**Finding 9:** The School District Should Ensure Compliance with State Laws over Purchasing.

**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."

*Section 37-37-1, Mississippi Code Annotated (1972)*, states, "The State Department of Education is hereby authorized and directed to prescribe and formulate for use by all school districts of this state, including municipal separate school districts, adequate accounting systems and other essential financial records which shall be uniform for all of the school districts of this state. Such uniform system shall include a method of accounting for and keeping records of all funds received, handled and disbursed by such school district, whether derived from taxation or otherwise, including funds derived from donations, athletic events and other special activities of the school district. The uniform system of accounts so prescribed and formulated by the State Department of Education shall be distributed and disseminated to all of the school districts of this state and it shall be mandatory that the boards of trustees of all such school districts install, utilize and follow said uniform system of accounts in keeping the financial records of the school district. At the request of the Mississippi Department of Education, the Office of the State Auditor shall provide advice for implementation of this section."

*Mississippi Department of Education Accounting Manual for School Districts, Section D (Revised 2/1/2003)*, states, "The use of purchase requisitions and receiving reports are optional; however, the control objectives documented by such reports must be achieved by other means if such reports are not used."

**Finding Detail:** During our review of the forty-two (42) purchasing samples selected, we noted the following exceptions:

- Six (6) instances where no quotes were received, the items were determined to not be on the state approved textbooks list, thus not exempt from the requirement of two (2) or more quotes
  - School Specialty – \$9,844.84
  - School Specialty – \$6,856.04
  - School Specialty – \$7,734.00
  - School Specialty – \$7,752.68
  - School Specialty – \$9,228.40
  - School Specialty – \$1,232.88
- Two (2) instances where two (2) quotes were not attached to the documentation or "cart" pricing was used; and
  - CDW Government, Inc. – \$9,285
  - Apple, Inc. – \$10,291
- Thirty-two (32) instances where no compensating control was noted for the lack of a requisition being completed, as required by Mississippi Department of Education's *Accounting Manual for School Districts*.

Failure to comply with state law could result in fraud, misappropriation, or loss of public funds.

**Recommendation:** We recommend the School District ensure compliance with *Mississippi Code Section 31-7-13* by ensuring sufficient and correct quotes are obtained from vendors, and purchase requisitions are completed or compensating controls are implemented.

**Repeat Finding:** No.

**Management's Response:** The District will implement controls for approving purchasing orders. The District has allowed cart building to show proof of additional purchasing price. School Specialty had cart quote attached given.

**Auditor's Note:** The School Specialty cart quote was provided after the Management Response Letter was issued to the Business Manager.

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**Finding 10:** The School District Should Ensure Compliance with State Laws over Board Minutes.

**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 our review of Prentiss County School District's thirty-one (31) meetings from July 16, 2018 to September 27, 2019, the following exceptions were noted:

- The Board Chairman did not sign the official minutes of three (3) meetings; and
- The Board Secretary did not sign the official minutes of four (4) meetings.

Failure to affix signatures to official board minutes could result in a lack of transparency and loss of public trust.

**Recommendation:** We recommend the School District ensure that the Board Chairman and Board Secretary's signatures are affixed to all officially approved minutes.

**Repeat Finding:** No.

**Management's Response:** I will be more persistent in verifying the chairman and secretary's signature on approved minutes. Since the minutes of the September meeting were approved in October, they will not be available for signatures until the November meeting.

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**Finding 11:** The School District Should Ensure Compliance with State Laws over Background Checks.

**Applicable State Law:** *Section 37-9-17(2), Mississippi Code Annotated (1972)*, states, "Superintendents/directors of schools under the purview of the State Board of Education, the Superintendent of the local school district and any private firm under contract with the local public school district to provide substitute teachers to teach during the absence of a regularly employed schoolteacher shall require, through the appropriate governmental authority, that 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 nonlicensed employee at a school and not previously employed in such school under the purview of the State Board of Education or at such local school district prior to July 1, 2000. In order to determine the applicant's suitability for employment, the applicant shall be fingerprinted. If no disqualifying record is identified at the state level, the fingerprints shall be forwarded by the Department of Public Safety to the Federal Bureau of Investigation for a national criminal history record check. The fee for such fingerprinting and criminal history record check shall be paid by the applicant, not to exceed Fifty Dollars (\$50.00); however, the State Board of Education, the school board of the local school district or a private firm under contract with a local school district to provide substitute teachers to teach during the temporary absence of the regularly employed schoolteacher, in its discretion, may elect to pay the fee for the fingerprinting and criminal history record check on behalf of any applicant."

*Section 37-9-17(3), Mississippi Code Annotated (1972)*, states, "If such fingerprinting or criminal record checks disclose a felony conviction, guilty plea or plea of nolo contendere to a felony of possession or sale of drugs, murder, manslaughter, armed robbery, rape, sexual battery, sex offense listed in *Section 45-33-23(g)*, child abuse, arson, grand larceny, burglary, gratification of lust or aggravated assault which has not been reversed on appeal or for which a pardon has not been granted, the new hire shall not be eligible to be employed at such school. Any employment contract for a new hire executed by the Superintendent of the local school district or any employment of a new hire by a superintendent/director of a new school under the purview of the State Board of Education or by a private firm shall be voidable if the new hire receives a disqualifying criminal record check."

**Finding Detail:** During our review of Prentiss County School District's educator's certifications, we noted nine (9) instances, out of the twenty (20) samples itemtested, where evidence of a background check was not included in the employee's personnel file as required by *Section 37-9-17(2)*. Additionally, we noted one (1) instance where there was no evidence of a completed background check included in the employee's personnel file, however, the submission for the background check was included in the file.

Failure to provide evidence of a background check results in the District being noncompliant with *Section 37-9-17(2)*.

**Recommendation:** We recommend the School District ensure documentation of a background check should be included in all employees' personnel files as required by *Section 37-9-17(2)*.

**Repeat Finding:** No.

**Management's Response:** The District could not find background checks for older employees. The District has policies and procedures in place to ensure that all new hires are correctly screened for proper background checks.

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**Finding 12:** The School District Should Ensure Compliance with State Laws over Monthly Financial Reports.

**Applicable State Law:** *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. The rules and regulations promulgated by the board shall include:

- i) A requirement that the reports be listed as an agenda item for discussion at a regularly scheduled meeting of the board;
- ii) A requirement that the minutes of the board meeting reflect that the reports were discussed;
- iii) A requirement that each board member present be provided a copy of all required reports; and
- iv) A requirement that a copy of all required reports be included in the official minutes of the board meeting at which the reports were discussed."

*Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3*, further promulgates that the following financial reports be made part of the official minutes each month at the regular school board meeting: reconciled bank statements, Statement of Revenues and Expenditures, Current Budget Status, Cash Flow Statement by Month, and Combined Balance Sheet or current fund equity balances.

**Finding Detail:** During our review of Prentiss County School District, we noted the following exceptions:

- Fourteen (14) instances where the Combined Balance Sheet was not presented to the Board.
- Of the fourteen (14) months of bank reconciliations tested:
  - Two (2) instances where the Payroll Clearing and Accounts Payable Clearing Accounts were not presented.
  - Fourteen (14) instances where the Wheeler Elementary Activity Account was not presented.
- We were unable to determine if the following bank reconciliations were presented to the Board:
  - One (1) instance where the Accounts Payable Clearing Account was not stamped as approved.
  - Two (2) instances where the Special Fund, Transportation Fund, District Food Service Fund, Debt Service Fund, Unemployment Comp Revolving Fund, and Payroll Clearing Accounts were not stamped as approved.
  - Fourteen (14) instances where the Activity Funds were not stamped as approved.
- One (1) instance where the Cash Flow Statement was not presented to the Board.

Failure to include the required financial reports in the official Board minutes at the regular meeting each month, results in lack of transparency, which could lead to loss of trust between the School District and the public.

**Recommendation:** We recommend the School District ensure the Superintendent submits all the required financial reports to the Board at the regular School Board meeting each month.

**Repeat Finding:** No.

**Management's Response:** The District will stamp all documents instead of first of each agenda item. The District will ensure all required documents are in board packet for each monthly meeting.

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

**Applicable State Law:** *Section 37-39-1(1), 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 our review of Prentiss County School District's surety bonds, we noted that two (2) Principals and the Business Manager, which were appointed as Purchasing Agents, were not bonded as such.

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 School District ensure that new bonds are secured every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee as statutorily required.

**Repeat Finding:** No.

**Management's Response:** The District has included principals as purchasing agents and proper bonds have been issued. The District has also requested bonds set per fiscal year upon renewal. The District will update policy to remove business manager as purchasing agent.

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**OTHER RECOMMENDATION BY THE OFFICE OF THE STATE AUDITOR:**

The Office of the State Auditor recommends that School Board consider obtaining new surety bonds for Principals, Purchasing Agents, and the Business Manager. As noted in during our test work, the Principals, Purchasing Agents, and Business Manager 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.

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**End of Report**