

# HANCOCK COUNTY SCHOOL DISTRICT MISSISSIPPI

## COMPLIANCE REPORT

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Limited Internal Control and Compliance Review Management  
For the year ended *June 30, 2021*

**SHAD WHITE, CFE**  
State Auditor

**Stephanie C. Palmertree, CPA, CFE, CGMA**  
Deputy State Auditor

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Director, *Compliance Audit Division*



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

March 22, 2023

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

Hancock County School District  
18375 HWY 603  
Kiln, MS 39556

Members of the Hancock County School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the **Hancock County School District** for the fiscal year **2021**. In these findings, the Auditor's Office recommends the **Hancock County School District**:

1. Strengthen Internal Controls over Bank Reconciliations;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Preparations, Approvals and Expenditures;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Deposits, Lease Payments, and Taxes;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Activity Fund Cash Receipts and Deposits, Free Admissions, and Mississippi High School Activity Association (MHSAA) State Passes;
5. Ensure Compliance with State Law over the Approval of Depositories;
6. Ensure Compliance with State Law over Purchasing;
7. Ensure Compliance with State Law over Merchant-Specific Credit Cards;
8. Ensure Compliance with State Law over Statement of Economic Interest;
9. Ensure Compliance with State Law over Maintaining Personnel Files;
10. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
11. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by **April 5, 2023**. The enclosed findings contain more information about our recommendations. During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the **Hancock 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".

STEPHANIE 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 **Hancock County School District** for the year ended **June 30, 2021**.

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 that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **SIGNIFICANT DEFICIENCY**. We also noted certain deficiencies in controls that we noted under the heading **OTHER DEFICIENCIES**.

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

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## **SIGNIFICANT DEFICIENCY**

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

**Internal Control Deficiency:** Management is responsible for ensuring that the assets of the District are safeguarded and transactions are properly documented in the District's financial records. A critical aspect of internal controls is to ensure outstanding checks and deposits are balanced per the District's bank statements and reconciled against the amount of cash listed on the District's general ledger. The reconciliation process enables the Business Office to make adjusting journal entries to correct any mistakes or unrecorded items in the District's financial records.

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

- Six bank statements were not properly reconciled to the District general ledger/trial balance resulting in a variance, totaling **\$68,396**:
  - District Maintenance - **(\$8,506)**;
  - Docket - **\$111,505**;
  - Hancock Middle - **(\$238)**;
  - Hancock High - **(\$14)**;
  - Hancock Athletics - **(\$1,051)**;
  - School Food - **(\$33,300)**; and
- One bank account with Peoples Bank was not properly recorded within the District's general ledger, trial balance, and financial statements, totaling **\$71,434**.

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

**Recommendation:** We recommend the Hancock County School District strengthen internal controls by implementing adequate policies and procedures to ensure all bank statements are reconciled timely and properly to the District's general ledger. Also, we recommend Management reconcile bank accounts monthly to the general ledger by each fund in order to effectively and timely account for any variance from the District's book balances.

**District's Response:** I disagree with this finding. All accounts were reconciled. The difference between the reconciling cover sheet and the general ledger is the amounts that were the last check run for fiscal year 2020-2021. The amounts were posted to the accounts; however, the actual checks were not cut until July of the next fiscal year. These amounts were noted on the bank reconciliation sheet. I will not include them in the upcoming years.

**Auditor's Note:** The difference was posted to the general ledger at June 30, 2021 but the check was not cut until the following month, which is within the fiscal year 2022 not 2021. As noted in the testing performed, the bank reconciliations provided to OSA did not properly reconcile to the year-end trial balance for fiscal year ending June 30, 2021.

**Repeat Finding:** No.

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## OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 2:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budget Preparation, Approvals, and Expenditures.

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

**Applicable State Law:** *Section 37-61-9, Mississippi Code Annotated (1972)*, requires the combined budget and combining budgets for each fund type are reflected in the board minutes or an addendum to the board minutes. Both should be signed by both the Board's president and secretary. Signed copies should be filed within the District.

*Section 37-61-19, 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..."

*Accounting Manual for School Districts, Section E, Budgeting*, prescribed by the Mississippi Department of Education, states, "The budget formats which follow are to be prepared by each school district in formalizing its annual budget. These formats are prescribed by the State Auditor's Office. A school district may use computer printouts provided they contain the same information as the prescribed forms. A separate budget is required for each individual fund within each generic fund type, with the exception of Agency Funds and Private Purpose Trust Funds. As required by *Section 37-61-19, Mississippi Code Annotated (1972)*, the approved combined budget and combining budgets for each fund type are to be reflected in the board minutes or an addendum to the board minutes. The original and amended budgets shall be signed and dated by the board president and secretary. Signed copies of all approved budgets must be filed for safekeeping and audit review."

**Finding Detail:** During the review of the School District's budgets for fiscal year 2021, the auditor noted the following exceptions:

- On July 6, 2020, the School Board approved the original combined budget; however, the original combining budget was not spread upon the Board minutes nor signed by both the Board President and Secretary;

- On September 28, 2021, the School Board approved both the final amended combined and combining budget for fiscal 2021; however, neither was spread upon the Board minutes nor signed by both the Board President and Secretary;
- Twelve funds were not budgeted; therefore, they exceeded the budgeted expenditures, totaling **\$1,517,491**:
  - Fund 2214 (Title I-School Improvement 2020) - **\$132,933**;
  - Fund 2215 (School Improvement 2021) - **\$1,830**;
  - Fund 2219 (Title I 2019) - **\$126,815**;
  - Fund 2220 (Title I 2020) - **\$187,725**;
  - Fund 2221 (Title I 2021) - **\$846,395**;
  - Fund 2319 (Title V Rural & Low 2019) - **\$53,955**;
  - Fund 2320 (Title V Rural & Low 2020)- **\$58,504**;
  - Fund 2321 (Title V Rural & Low 2021) - **\$33,301**;
  - Fund 2519 (Title II 2019) - **\$24,056**;
  - Fund 2520 (Title II 2020)- **\$24,409**;
  - Fund 2521 (Title II 2021) - **\$24,553**;
  - Fund 2813 (Title IV Part A 2020) - **\$3,021**;
- The 2021 original combined budget was approved by the School Board with a negative fund balance, totaling **(\$11,216,231)**:
  - General Funds – **(\$1,265,576)**
  - Capital Projects Fund – **(\$9,950,655)**
- The District's FY 2021 original combining budget presented to the auditor at the time of the audit reflected two funds with negative fund balances, totaling **(\$1,965,084)**:
  - Fund 2211 (Title I-A) - **(\$1,827)**;
  - Fund 3023 (2019 Bond Building Fund) - **(1,963,257)**;
- The 2021 amended combining budget was approved by the School Board presented to the auditor at the time of the audit reflected five funds with negative fund balances, totaling **\$(163,035)**:
  - Title IV Part A 2019 Fund (2812) – **(\$5,702)**;
  - Title V Rural & Low Fund (2311) – **(\$95,459)**;
  - Cares/ESSER Act Fund (2590) – **(\$35,302)**;
  - ESSER Pre-K Grant Fund (2595) – **(\$25,468)**; and
  - Preschool Fund (2620) – **(\$1,104)**.

Failure to ensure there are available resources for all expenditures could result in deficit fund balances. Additionally, the approval of a budget with negative fund balances could result in actual fund balances being negative. However, in this case the actual fund balances at June 30, 2021 were not negative.

**Recommendation:** We recommend the Hancock County School District strengthen internal controls and ensure compliance by assuring all funds have available resources before expenditures are approved and spread upon the Board minutes. A thorough review of such budgets should be made prior to presentation to the Board for approval.

**District's Response #1:** The school district did not have prior knowledge that the combining budget was to be spread upon the board minutes. The combining budget was never required to be submitted by MDE until two years ago and nothing was said about it being spread over the minutes. In the future, the district will spread the approved combining budget over the minutes.

**District's Response #2:** The approved amended combined and combining budget was not spread upon the board minutes: The school district did not have prior knowledge that the combining budget was to be spread upon the board minutes. The

combining budget was never required to be submitted by MDE until 2 years ago and nothing was said about it being spread over the minutes. In the future the district will spread the approved amended combined and combining budget over the minutes. The board president and secretary DID sign the amended budgets.

**Auditor's Note #1 and #2:** The District not having knowledge of this does not negate the regulation that the budget format be as prescribed by the Office of the State Auditor (OSA) which includes the combined and combining budget. This regulation has been in place far beyond two years. State law requires the budgets of school districts to be spread across the School Board's minutes. The final budget document provided to OSA at the time of testing was not signed by the Board President nor Secretary.

**District's Response #3:** Twelve title accounts were not budgeted for. I disagree with this finding. They were budgeted, they were budgeted under fund 2211. All title accounts are reported to fund 2211 per FETS requirement which is why they show up in the combining budget under fund 2211 instead of the individual fund number. In addition, I ran an expenditure report to show they were indeed budgeted.

**Auditor's Note #3:** If the District requires additional funds on the face of its budgets, Management should consult the software vendor. The Financial Exchange Transaction System (FETS) and budgeting are two separate operations. One should not affect the compliance of the other.

**District's Response #4:** The combined budget had a negative balance of **\$11,216,231**. This has to do with the 2019 bond issue. We received all the funds in one fiscal year; however, the expense associated with the many construction projects were spread over 3 years. Due to recognizing the funds in one year and expensing them over several years this is going to show up as a negative.

**District's Response #5:** The original combining budget reflected two funds with negative fund balances. The District does not update title budget accounts until after the original combining budget is approved. Title accounts are not approved until after the District's budget is approved.

**Auditor's Note #4 and #5:** As stated in the finding issued, OSA did note the year-end financial statements did not have actual negative fund balances; however, approving a budget in the negative could result in violation of state law and is misleading to the public.

**District's Response #6:** The amended combining budget reflected five funds with negative balances. This is not even possible. I would not have been able to submit FETS with negative fund balances.

**Auditor's Note #6:** The face of the District's final amended budget provided to OSA reflected negative fund balances. As stated above, FETS and budgeting requirements are separate operations.

**Repeat Finding:** No.

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**Finding 3:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Deposits, Lease Payments, and Taxes.

**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.

**Applicable State Law:** *Section 29-3-57, Mississippi Code Annotated (1972)*, states, “Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances were present, and the Board shall inaugurate the proper legal proceedings to terminate such lease.”

*Section 29-3-71, Mississippi Code Annotated (1972)*, states, “Sixteenth section lands reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be liable, after the same shall have been leased, to be taxes as other lands are taxed during the continuance of the lease, but in case of sale thereof for taxes, only the title of the lessee or his heirs or assigns shall pass by the sale.” In addition, the standard lease agreement used by the district between the lessee and lessor states, “Lessee shall pay all taxes levied, if any, on said property on time to prevent default.”

**Finding Detail:** During the testing of the School District’s sixteenth section leases, the auditor noted the following exceptions:

- Fourteen lease payments were more than 60 days late; however, the lease agreement was not terminated;
- One deposit was made five days after being receipted; and
- Taxes were not current for one lease agreement totaling **\$580**; however, the lease agreement was not terminated.

Failure to terminate lease agreements due to the non-payments of property taxes and rental payments resulted in noncompliance with state law and regulations. Inadequate internal controls relating to receipting sixteenth section revenue could result in a loss of assets and improper revenue recognition.

**Recommendation:** We recommend the Hancock County School District ensure compliance by assuring taxes are current and lease payments are no more than sixty days late, as required by state law. Additionally, we recommend all lease payments are deposited immediately.

**District’s Response #1:** One lease payment was deposited 5 days after being receipted – The payment was taken after hours and place in the vault. Employee was out for a couple of days and this was over a weekend. Upon the employees return, it was taken out of the vault and deposited. Employee no longer works for the District.

**District’s Response #2:** Taxes were not current on lease agreement – As a school district, we have no way of knowing when or if a tenant pays the proper amount of property taxes. I am not sure how to rectify this problem unless the county is willing to release a list to us.

**Auditor’s Note #2:** For OSA to conclude that there was a late payment, it requested this information from the Hancock County Tax Collector. It is duty of Management to ensure that they acquire all pertinent information to maintain compliance with state law.

**District’s Response #3:** Fourteen lease payments were more than 60 days late – The School District in the past has always take the stand that we will not evict anyone. The District in the past did not have one person dedicated to 16<sup>th</sup> section properties. Now, the School District has hired an employee with the sole responsibility of managing 16<sup>th</sup> section properties and this should no continue to happen.

**Repeat Finding:** No.

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**Finding 4:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Activity Fund Cash Receipts and Deposits, Free Admissions, and Mississippi High School Activity Association (MHSAA) State Passes.



**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.

**Applicable State Law:** *Mississippi Attorney General Opinion 2005 WL 832129*, provides that free admission to sporting and social events would not be permissible.

*Mississippi Constitution, Article 4, Section 96*, states, “The legislature shall never grant extra compensation, fee, or allowance, to any public officer, agent, servant, or contractor, after service rendered or contract made, nor authorize payment, or part payment, of any claim under any contract not authorized by law...”

*Accounting Manual for School Districts, Section F, Receipts*, prescribed by the Mississippi Department of Education, states, “The local school shall document the receipt of local activity funds. A three-part pre-numbered receipt will be issued by the principal's office for all funds received. The person remitting the money will be given the original copy, the second copy will be remitted to the central office and the third copy will remain in the receipt book and become a permanent record at the local school. It is permissible to use an automated system to document receipts provided there is an adequate system of controls. The receipt must contain enough information to adequately account for the transaction. At a minimum, the receipt will contain the date, name of remitter, amount of remittance, type of payment (cash or check), description and the financial accounting code.”

**Finding Detail:** During the review of the School District’s activity/athletic fund revenue, the auditor noted the following exceptions out of 13 deposits:

- Thirteen game deposits were not funds were not documented to a pre-numbered receipt;
- Nine deposits were not made until four to 22 days after funds were collected;
- One ticket sale sheet did not list an ending ticket number; therefore, the auditor was unable to verify the total number of tickets sold;
- There was a net shortage of **\$45** between deposits and ticket sales for both varsity football and basketball home games;
- All District personnel are allowed free entrance to all school – sponsored events with District – issued event tickets; however, the School District does not have an approved Board policy relating to free admission for its employees; and
- The District paid for Mississippi High School Activity Association (MHSAA) state passes for the following District employees without being reimbursed by the employees, totaling **\$300**:
  - Five Board Members;
  - Finance Administrator;
  - Director of Exceptional Children;
  - Director of Career and Technical Center;
  - Director of Alternative School; and
  - Director of Transportation.

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

Failure to have an approved Board policy that states the benefit of allowing its personnel free admission or requiring the attendance of personnel to school sponsored events could result in an illegal donation. Additionally, failure to be reimbursed for the purchase of MHSAA statewide passes for District employees other than the coaches, Superintendent,

Athletic Director, and principals could result in an illegal donation.

**Recommendation:** We recommend the Hancock County School District strengthen internal controls and ensure compliance by assuring receipts from all activity are safeguarded, adequately recognized, and recorded. We also recommend the School District ensure compliance by implementing policies in regards to free admissions and the payment of MHSAA statewide pass of its personnel to school – sponsored events to avoid noncompliance with state law and regulations.

**District's Response #1:** One game where there was no ending ticket number. This was a "COVID" game and we were told by MSHAA to limit the number of tickets sold. In an attempt to do that, we decided to only presell tickets. Several staff members were asked to assist with the sale of tickets and the results were no ending ticket number was recorded.

**District's Response #2:** There was a net shortage of \$40.00 spread over three games. Although this is not a material amount, more attention needs to be paid by our gate workers. This finding was discussed with our Athletic Director and moving forward, he will verify all deposits made and initial the transmittal sheet.

**District's Response #3:** Nine deposits were made four to twenty-two days late. It is required to make deposits within three days of an event where money is collected. Although this is good in theory, it is not always possible. One event was four days late due to a holiday. Several events were late due to COVID. Although all games were played on the date on the schedule, the high school was shut down twice which impacted us being able to get funds deposited in a timely manner. Moving forward, the athletic director is going to verify that the athletic secretary is making deposits in a timely manner.

**District's Response #4:** Thirteen deposits were not documented to a pre-numbered receipt. In the past, a number was assigned and hand written on the transmittal sheet. The transmittal sheet is signed by the gate work, and then counted down and verified by the athletic secretary. We were unaware that an extra step was required. Beginning now, the athletic secretary will order a pre-numbered book of receipts and begin using them.

**District's Response #5:** It has never been told to us to have a Board policy allowing free admission for all employees. The district disagrees that it should be a policy; however, moving forward this will be Board approved prior to each school year beginning.

**District's Response #6:** It has never been told to us to have a board policy to allow athletics to purchase state athletic passes for certain administrative staff and board members. The district disagrees that it should be a policy; however, moving forward it will be board approved prior to each school year beginning. The athletic passes may be purchased for any administrator that serves in the capacity of game administrator. Board Member passes will no longer be purchased.

**Auditor's Note #6:** As stated above, MHSAA passes issued to District employees other than coaches, Superintendent, Athletic Director, high school principals, and middle school principals should be reimbursed to the District. If not, this could constitute as an illegal donation of public funds under the *Mississippi Constitution*.

**Repeat Finding:** No.

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**Finding 5:** The School District Should Ensure Compliance with State Law over the Approval of Depositories.

**Applicable State Law:** *Section 37-7-333, Mississippi Code Annotated (1972)*, requires all public funds to be place in the depository or depositories selected by the School Board in the same manner as provided in *Section 27-105-305, Mississippi Code Annotated (1972)* for the selection of county depositories. *Section 37-7-333, Mississippi Code Annotated (1972)*, also requires the bids of the financial institutions keeping school funds be effective on July 1<sup>st</sup> of each year. Further, School

Boards are allowed to advertise and accept bids for depositories, not less than once every three (3) years, when the School Board determines that I can obtain a more favorable rate of interest and less administrative processing.

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

- The following eleven bank accounts held at Whitney Hancock and Peoples Banks, were not with Board approved depositories for fiscal year 2021, totaling **\$173,651**:
  - Docket - **\$19,293**;
  - Payroll - **\$18,828**;
  - South Hancock - **\$2,001**;
  - East Hancock - **\$2,001**;
  - North Hancock - **\$8,001**;
  - West Hancock - **\$200**;
  - Career Tech - **\$674**;
  - Hancock Middle - **\$10,004**;
  - Hancock High - **\$10,003**;
  - Hancock Athletics - **\$31,212**;
  - Money Market Account - **\$71,434**; and
- The Board approved The First as its depository on October 23, 2020 instead of July 1, 2020.

Due to inadequate internal controls surrounding its depositories, the District is not in compliance with state law.

**Recommendation:** We recommend the Hancock County School District ensure compliance by approving all bank accounts within the District's tax identification number by July 1<sup>st</sup> every three years.

**District's Response:** The Board approved The First as its depository on October 2020 instead of July 1, 2020. Going back, the District has always reviewed and accepted the bank depository every 3 years (as required by law) in the fall. Moving forward, we will request bids and award in the spring of 2023. Eleven accounts were not approved depositories for fiscal year 2021. This happened as a direct of changing financial institutions. These accounts were not closed until fiscal year 2021-2022 due to outstanding items that may have tried to clear. Any account that did not have outstanding transactions were closed after balances were transferred to the new accounts at the new financial institution.

**Repeat Finding:** No.

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**Finding 6:** The School District Should Ensure Compliance with State Law over Purchasing.

**Applicable State Law:** *Attorney General Opinion No. 2012-00158*, states, "The ultimate goal of the public purchasing statute, found at *Mississippi Code Annotated, Section 31-7-13*, is to encourage competition to ensure efficiency and economy in purchases made by public entities. In fact, *Section 31-7-13(c)(iv)(l)*, specifically prohibits a public entity from writing bid specifications that exclude comparable equipment. However, clearly, the Legislature intended, in its adoption of *Section 31-7-13(c)(iv)(l)*, to create an exemption to that prohibition. *Section 31-7-13(c)(iv)(l)* provides the following: Specification pertinent to such bidding shall be written so as not to exclude comparable equipment of domestic manufacture. However, if valid justification is presented, the Department of Finance and Administration or the board of a governing authority may approve a request for a specific equipment necessary to perform a specific job. Further, such justification when placed on the minutes of the board of a governing authority, may serve as authority for that governing authority to write specifications to require a specific item of equipment needed to perform a specific job..."

*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.”

**Finding Detail:** During the review of the School District’s purchasing expenditures, the auditor noted the following exceptions:

- One instance where two quotes provided from Envision Integrated Systems and Alpha and Omega Sound were traced back to the same address. The quote was awarded to Alpha and Omega Sound as the lowest bid. Based on the District's vendor list and the certificate of formation from the Secretary of State's website, both vendors have the same member. Also, quotes were not signed or dated;
- One instance where two quotes/bids were not obtained for purchase totaling **\$5,900**;
- One instance where a sole-source purchase was approved based on a letter from vendor, Kamifor, in the amount of **\$6,000**; and
- One instance where quotes were not comparable for two electronic doors in the amount of **\$5,950**.

Failure to follow purchasing laws could result in fraud or misappropriation of public monies.

**Recommendation:** We recommend the Hancock County School District ensure purchasing laws are followed and monitored to ensure compliance with the aforementioned state statutes.

**District’s Response #1:** I do not agree with the finding. They are clearing two different companies with two different addresses. It also states both vendors have the same officer/director. Just because somebody is an officer at a company does not mean they have ownership in it and honestly when we solicit a company for a quote we have no knowledge of who is on their Board or Officers in their company. It also states that the quotes were not signed or dated; one quote was dated. I was unaware that a quote had to be signed as we have quotes as we have quoted emailed to us that are computer generated. In the future, I will educate the staff when submitting quotes they must be signed and dated.

**Auditor’s Note #1:** One individual is both the owner of one company and an officer/director of Envision Integrated Systems LLC, per the incorporated documents from the Secretary of State. District should look at their quotes closer to ensure they are actual vendors and not the same vendors. Additionally, the quotes provided to the auditors did not indicate if they were emailed, faxed, or handed in. If they were emailed, there should have been an indication of email communication. Also, if they were faxed, there would have been a fax indication at the top of the quotes. If they are mailed or handed in the District, they should have been stamped, as being received. State purchasing laws dictate how quotes should be handled.

**District’s Response #2:** I disagree with the finding. There were two quotes obtained. One quote had “contract” listed at the top but was clearly a quote. That is how Mechanical Services submits their quotes. I have no control over how another company operates. We use them and will continue to use them because they are a reputable company with good prices.

**Auditor’s Note #2:** If the quote has contract written on the top of it, OSA would only come to the conclusion this was a contract not a quote. The District should properly ensure that all quotes indicate if it is a quote or contract.

**Districts Response #3:** I do not agree with this finding simply because I do not know who else we are supposed to get a sole source letter from other than the vendor. We only use sole source letters when all other avenues have been attempted to get other quotes are unsuccessful.

**Auditor's Note #3:** The Board of Education may not use only a letter from a vendor to determine if a commodity is a sole – source purchase. There should be some discussion completed by the Board and spread upon the minutes to determine if an item is a sole-source purchase.

**District's Response #4:** I disagree with this finding. Both quotes were to remove the regular doors and replace with automatic doors. Each quote may have worded things differently by the prices were comparable and we went with the lowest quote. This was also an issue of being in compliance with ADA so it had to be done quickly.

**Auditor's Note #4:** The quotes reviewed by OSA were not comparable. One quote indicated the installation of an automatic door, and the second quote indicates the price of installation and removal of an automatic door. Therefore, the quotes are not comparable based on the quotes presented to the District.

**Repeat Finding:** No.

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**Finding 7:** The School District Should Ensure Compliance with State Law over Merchant-Specific Credit Cards.

**Applicable State Law:** *Mississippi Procurement Manual, Chapter 10, 10.112.03, Merchant-Specific Credit Cards*, prescribed by Mississippi Department of Finance and Administration, states, "Governing authorities desiring to obtain a merchant specific credit card shall submit to their governing board for approval, written justification for the need of a merchant specific credit card. Approval of such action shall be placed on the minutes of the board of the governing authority."

**Finding Detail:** During the review of the School District's credit cards, the auditor noted that the School Board did not approve the merchant use of its Walmart Card and does not have on file a justification for the use of the Walmart card that would show the anticipated savings.

Failure to approve merchant specific cards and maintain on file the justification for the use of a Walmart cards resulted in violation of state law and regulations.

**Recommendation:** We recommend the Hancock County School District ensure compliance by implementing adequate policies and procedures concerning its credit card use, as required state law and regulations.

**District's Response:** The Walmart card is not a credit card. It allows us the ability to take a purchase order to Walmart only. The card is ONLY for emergencies to purchase water for schools (mostly at South Hancock Elementary) when there are water issues. The card has been on file for years, I am sure it was Board approved at one time; however, we were not able to locate approval. Moving forward, any credit card the District applies for will be Board approved.

**Auditor's Note:** Per the applicable law stated above, the finding refers to a merchant-specific credit card which are cards that can be only used at department stores such as Sam's or Walmart. The District states that it does have a Walmart card. No matter the classification as credit or membership card or of its marginal use, the District is non-compliant by not being able to provide Board approval nor written justification of its use.

**Repeat Finding:** No.

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

**Applicable State Law:** *Section 25-4-25, Mississippi Code Annotated (1972)*, provides that: "Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter:

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

**Finding Detail:** During the testing of the Statement of Economic Interest, the auditor noted the following exceptions:

- Two Board Members have not filed for fiscal year 2021; and
- One Board member filed five days late.

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

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

**District's Response:** Two Board members have not yet file for FY21. One board member took another board member's position in June of 2021. This was an unexpected event and there was no way he could have completed the form by the May 1<sup>st</sup> deadline as he did not even know he was sitting on the school board until June. The other Board member that did not file for FY21. The board clerk reminds them on a regular basis. One Board member was late filing for FY21 which was 5 days past the May 1<sup>st</sup> deadline. The Board clerk reminds them on a regular basis.

**Auditor's Note:** As of April 5, 2022, the Board member who replaced another in June 2021 has not filed an SEI for FY 2021. The Board member has had until May 1, 2022 to file their SEI.

**Repeat Finding:** No.

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**Finding 9:** The School District Should Ensure Compliance with State Law over Maintaining Personnel Files.

**Applicable State Law:** *Accounting Manual for School Districts, Section B, Personnel Files*, states, "There shall be individual personnel files in the school district central office, which include contracts, a copy of teacher certificates, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals. School districts, as well as private firms under contract to provide substitute teachers to school districts, are required to conduct criminal records background and child abuse registry checks on all newly hired licensed and non-licensed employees."

**Finding Detail:** During the review of Hancock County School District's certified employees' personnel files, the auditor noted one certified teacher's personnel files did not have evidence of the Mississippi Department of Education certification.

Failure to ensure all personnel files have evidence of their teacher certification issued by the Mississippi Department of Education resulted in a violation of state laws and regulations.

**Recommendation:** We recommend the Hancock County School District ensure the School District should ensure copies of the certifications are enclosed in employees' files.

**District's Response:** The teaching certificate had not been filed. It was in a stack of papers that needed to be filed. Filing is done on a semi-monthly basis, and we will file as time permits.

**Repeat Finding:** No.

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**Finding 10:** The School District Should Ensure Compliance with State Laws over Reemployment of Retired Public Employees.

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

*PERS Board Regulation 34, Section 105*, states, "To 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 a \$300 penalty per occurrence payable by the employer."

**Finding Detail:** During the testing of the District's PERs Form 4Bs, the auditor noted the following exceptions:

- One retiree was paid than the allowed salary by PERS, totaling **\$160**;
- The complete retirement date on one PERS Form 4B was not properly recorded; and
- The rehire date was incorrectly recorded on two PERS Form 4Bs.

Failure to file Form 4Bs, as required by PERS, 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 Hancock County School District strengthen internal controls and ensure compliance with state laws by properly, accurately, and completely submitting the forms to PERS within five days from the date of reemployment.

**District's Response #1:** One employee was paid more than the allowed by PERS (**\$159.60**). The employee is allowed to make up to \$16,000 per year. She is a bus driver for us and is assigned a regular route. Occasionally, she will run an extra route. Our office has no way of knowing when this occurs. It is up the employee to monitor their earnings and take on more than they should.

**Auditor Note #1:** Although, it is up to the employee to monitor their earnings. Ultimately, when an overpayment has occurred, the District will be noted for the violation of state law and regulations. Therefore, management should monitor the salaries paid to all retired employees to ensure compliance.

**District's Response #2:** One employee's form was not properly completed during the year being left off the date. The month and date were correct. Moving forward, forms will be reviewed.

**District's Response #3:** Three PERS forms were not submitted within five days of rehire. We were not aware of this five day rule; however, we understand that we have five days from the first day the employee begins employment and will begin doing this moving forward.

**Repeat Finding:** No.

**Finding 11:** The School District Should Ensure Compliance with State Law over Surety Bonds.

**Applicable State Law:** *Section 25-1-15(2), Mississippi Code Annotated (1972)*, states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.”

*Section 25-1-19, Mississippi Code Annotated (1972)*, states, “The bond 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 chancery court of the county...”

*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).”

*School Board Policy, Section D, Policy Code DJEA, Purchasing Authority*, states, “In addition to the superintendent the school board hereby designates the assistant superintendent and business manager as "purchasing agents" 2.0“This school board hereby designates the school principals and Assistant Superintendent as "purchasing agents."

**Finding Detail:** During the testing of surety bonds, the auditor noted the following exceptions:

- The Assistant Superintendent was covered by a continuation certificate;
- The Assistant Superintendent’s bond was not filed in the Chancery Clerk’s Office; and
- The Athletic Director, Federal Programs Director, and Child Nutrition Director are all bonded as Purchasing Agents; however, the School Board has not designated these positions, as purchasing agents.

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.

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 Hancock County School District ensures 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 School Board ensures all bonds for employees’ and officials’ bonds are filed with the Chancery Clerk’s office and designates which positions should serve as Purchasing Agents within its minutes and Board policies.

**District’s Response #1:** The Assistant Superintendent (whom is no longer with the District) was covered by a continuation certificate. This is what the bond company sent and was forwarded to the County Clerk. It was recorded and the District has never been notified that it was a problem in the past. Moving forward if a continuation certificate is sent, notification will be given to the bond company that this is not sufficient.



**District's Response #2:** Assistant Superintendent's bond was not properly filed with the Chancery Clerk's Office. All bond certificates are mailed to the Chancery Clerk's Office and notification was not given that one was not recorded. According to our records, it was recorded in **book 2020, page 111 bond #PRS1043336**.

**Auditor's Note #2:** Per review of documentation within the Hancock County Chancery Clerk's office and correspondence with a deputy clerk, on April 1, 2022 the Assistant Superintendent's bond for fiscal year 2021 was never filed.

**District's Response #3:** The Federal Programs, Child Nutrition, and Athletic Director are bonded, as Purchasing Agents; however, Board Policy does not name them specifically as needing to be. Due to the nature of their jobs, the District finds it necessary for them to be bonded as Purchasing Agents. Therefore, the policy will be amended to include all three positions.

**Repeat Finding:** No.

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**End of Report**



# Hancock County School District

Denise Ladner  
Director of Finance

## COMPLIANCE REVIEW FINDINGS

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

April 3, 2023

Dear Mr. White:

The Hancock County 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, 2021. Enclosed for your review are the responses and corrective action plans.

### AUDIT FINDING:

The school district should strengthen internal controls over bank reconciliations.

### Response:

All accounts were reconciled. The difference between the reconciling cover sheet and the general ledger is the amounts that were the last check run for fiscal year 20-21. The amounts were posted to the accounts; however, the actual checks were not cut until July of the next fiscal year. These amounts were noted on the bank reconciliation sheet.

### Corrective Action Plan:

- A. Discuss with our annual financial auditor about possibly not include the last check run.
- B. Denise Ladner
- C. Discussion will take place during the annual audit

### AUDIT FINDING:

The school district should strengthen internal controls and ensure compliance with state law over budget preparation, approvals and expenditures.

### Response:

1. The approved original and amended combined and combining budget was not spread upon the board minutes. The school district did not have prior knowledge that the combining budget was to be spread upon the board minutes. The combining budget was never required to be submitted by MDE until 2 years ago and there was no knowledge that it had to be signed by the president and secretary. The amended budget has never had signatures on it in prior years. In the future the district will spread the approved amended combined and combining budget over the minutes and have the board president and secretary sign the amended budgets.



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Denise Ladner  
Director of Finance

2. 12 title accounts were not budgeted for. I disagree with this finding. They were budgeted, they were budgeted under fund 2211. All title accounts are reported to fund 2211 per FETS requirement which is why they show up in the combining budget under fund 2211 instead of the individual fund number. In addition, I ran an expenditure report to show they were indeed budgeted.
3. The combined budget had a negative balance of \$11,216,231. This has to do with the 2019 bond issue. We received all the funds in one fiscal year; however, the expense associated with the many construction projects were spread over 3 years. Due to recognizing the funds in one year and expensing them over several years this is going to show up as a negative.
4. The original combining budget reflected two funds with negative fund balances. The district does not update title budget accounts until after the original combining budget is approved. Title accounts are not approved until after the district's budget is approved.
5. The amended combining budget reflected five funds with negative balances. This is not even possible. I would not have been able to submit FETS with negative fund balances.

## Corrective Action Plan:

- A. In the future the district will spread the approved combined and combining budgets as well as the amended combined and combining budgets over the minutes. All budgets will be signed by the board president and secretary. The negative budget fund balance I discussed with our auditor and he explained a possible solution.
- B. Denise Ladner, Director of Finance
- C. We began the following month after we received the finding spreading the minutes. Moving forward, all combining budgets will be signed by the board president and secretary. And beginning with FY 2023 we will attempt to correct the negative budget fund balances.

## AUDIT FINDING:

The school district should strengthen internal controls and ensure compliance with state law over sixteenth section deposits, lease payments and taxes

## Response:

1. One lease payment was deposited 5 days after being receipted. The payment was taken after hours and placed in the vault. Employee was out for a couple of days and this was over a weekend. Upon the employee's return, it was taken out of the vault and deposited.
2. Taxes were not current on one lease agreement. As a school district, we have no way of knowing when or if a tenant pays the proper amount of property taxes. I am not sure how to rectify this problem unless the county is willing to release a list to us.
3. 14 lease payments were more than 60 days late. The school district in the past has always taken the stand that we will not evict anyone. The district in the past did not have one person dedicated to 16<sup>th</sup> section properties.

## Corrective Action Plan:

- A. The employee that was responsible for sixteenth section no longer works for the district. A new employee was hired and her sole responsibility is sixteenth section property. She has been told to make deposits in a timely manner and she addresses any leases that are in arrears.
- B. Regina Moran, 16<sup>th</sup> section clerk
- C. Corrective measures were put into place during the 2022 fiscal year



# Hancock County School District

Denise Ladner  
Director of Finance

## AUDIT FINDING:

The school district should strengthen internal controls and ensure compliance with state law over activity fund cash receipts and deposits, free admissions and MHSAA state passes.

## Response:

1. Thirteen deposits were not documented to a pre-numbered receipt. In the past, a number was assigned and hand written on the transmittal sheet. The transmittal sheet is signed by the gate work, and then counted down and verified by the athletic secretary. We were unaware that an extra step was required. One game there was no ending ticket number.
2. Nine deposits were made four to twenty-two days late. It is required to make deposits within 3 days of an event where money is collected. Although this is good in theory, it is not always possible. One event was four days late due to a holiday. Several events were late due to COVID. Although all games were played on the date on the schedule, the high school was shut down twice which impacted us being able to get funds deposited in a timely manner.
3. This was a "COVID" game and we were told by MSHAA to limit the number of tickets sold. In an attempt to do that, we decided to only presell tickets. Several staff members were asked to assist with the sale of tickets and the results were no ending ticket number was recorded.
4. There was a net shortage of \$45.00 spread over 3 games. Although this is not a material amount, more attention needs to be paid by our gate workers. This finding was discussed with our Athletic Director.
5. It has never been told to us to have a board policy allowing free admission for all employees. The district disagrees that it should be a policy; however, moving forward this will be board approved prior to each school year beginning.
6. It has never been told to us to have a board policy to allow athletics to purchase state athletic passes for certain administrative staff and board members. The district disagrees that it should be a policy; however, moving forward it will be board approved prior to each school year beginning.

## Corrective Action Plan:

- A. Beginning immediately after receiving the finding, the athletic secretary ordered a pre-numbered book of receipts and begin using them. The athletic director was told deposited need to be made in a timely manner and is going to verify that the athletic secretary is making deposits in a timely manner. He will also verify all deposits made and initial the transmittal sheet. The athletic passes will only be purchased for any administrator that serves in the capacity of game administrator. Board Member passes will no longer be purchased.
- B. Jamie Sisco, Athletic Director
- C. Some measures were put into place immediate following the finding. Others were put into place the following fiscal year.

## AUDIT FINDING:

The school district should ensure compliance with state law over the approval of depositories.

## Response:

1. Eleven accounts were not approved depositories for fiscal year 2021. This happened as a direct result of changing financial institutions. These accounts were not closed until fiscal year 2021-2022 due to



# Hancock County School District

Denise Ladner  
Director of Finance

outstanding items that may have tried to clear. Any account that did not have outstanding transactions were closed after balances were transferred to the new accounts at the new financial institution.

2. The board approved The First as its depository on October 23, 2020 instead of July 1, 2020. Going back, the district has always reviewed and accepted the bank depository every 3 years (as required by law) in the Fall.

## Corrective Action Plan:

- A. The eleven accounts at Hancock Whitney were closed after a reason amount of time so as to allow checks to clear.
- B. Denise Ladner, Director of Finance
- C. The eleven accounts have been closed.
- D. I need to know how to proceed in trying to correct the renewal of the financial institution moving forward. Do we break the current contract we are in with The First or the next time it goes out for bids do we do the new contract for 3 ½ years to be in compliance?

## AUDIT FINDING:

The school district should ensure compliance with state law over Purchasing

## Response:

1. Two quotes were traced back to the same company. I do not agree with this finding. They are clearing 2 different companies with 2 different addresses. It also states that both vendors have the same officer/director. Just because somebody is an officer at a company does not mean they have ownership in it and honestly when we solicit a company for a quote we have no knowledge of who is on their board or officers in their company. It also states that the quotes were not signed or dated; one quote was dated. I was unaware that a quote had to be signed as we have quotes emailed to us that are computer generated.
2. Two quotes were not obtained. I disagree with this finding. There were two quotes obtained. One quote had "contract" listed at the top but was clearly a quote. That is how Mechanical Services submits their quotes. I have no control over how another company operates.
3. One instance where a sole-source purchase was approved based on a letter from the vendor in the amount of \$6,000. I do not agree with this finding simply because I do not know who else we are supposed to get a sole source letter from other than the vendor. We only use sole source letters when all other avenues have been attempted to get other quotes and are unsuccessful.
4. Quotes were not comparable. I disagree with this finding. Both quotes were to remove the regular doors and replace with automatic doors. Each quote may have worded things differently but the prices were comparable and we went with the lowest quote. This was also an issue of being in compliance with ADA so it had to be done quickly.

## Corrective Action Plan:

- A. In the future, I will educate our staff on what a quote should have on it.
- B. Denise Ladner, Director of Finance
- C. Fiscal Year 2022



# Hancock County School District

Denise Ladner  
Director of Finance

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## AUDIT FINDING:

The school district should ensure compliance with state law over Merchant specific credit cards

### Response:

1. The Walmart card is NOT a credit card. It allows us the ability to take a purchase order to Walmart only. Also, Walmart is ONLY for emergencies to purchase (with a purchase order) water for schools (mostly at South Hancock Elementary) when there are boil water warnings issued. Since it is not a "merchant credit card" it was not board approved.

### Corrective Action Plan:

- A. There are no steps to correct this situation.
- B. Denise Ladner, Director of Finance
- C. In the future, any credit card the district applies for will be board approved. Denise Ladner
- D. There is no corrective action that can be taken.

## AUDIT FINDING:

The school district should ensure compliance with state law over Statements of Economic Interest

### Response:

1. Two Board members have not filed for FY21: Mr. Ray Ladner took another board member's position in June of 2021. This was an unexpected event and there was no way he could have completed the form by the May 1<sup>st</sup> deadline as he did not even know he would be sitting on the school board until June. Danita Holladay was the other board member that did not file for FY21.
2. One Board member was late filing for FY21: Jennifer Seal filed on May 6, 2021 which was 5 days past the May 1<sup>st</sup> deadline.

### Corrective Action Plan:

- A. The board clerk reminds the board members on a regular basis.
- B. Cheryl Caton, Board Clerk

## AUDIT FINDING:

The school district should ensure compliance with state law over reemployment of retired public employees.

### Response:

1. One Employee was paid more than allowed by PERS (\$159.60). The bus driver is allowed to make up to \$16,000 per year and is assigned a regular route. Occasionally, she will run an extra route. Our office has no way of knowing when this occurs. It is up to the employee to monitor their earnings and not take on more than they should.
2. One Employee's form was not properly completed due to the year being left off the date. The month and date were correct.



# Hancock County School District

Denise Ladner  
Director of Finance

3. Two Employee's rehire dates were incorrect. The rehire date that was put on the form was in fact the date the employees were originally rehired; however, the interpretation of hire date was incorrect on our part. We believed the rehire date was the original date the employee was rehired; however, the state interprets it to be the first day of employment each year. We will make note of this and make the change moving forward.

## Corrective Action Plan:

- A. Retired bus drivers are no longer allowed to run extra routes. Forms will be reviewed and changes in the rehire dates will be made.
- B. Yolanda Leake, Human Resources
- C. Corrective actions were put into place immediately following the finding.

## AUDIT FINDING:

The school district should ensure compliance with state law over surety bonds

## Response:

1. Assistant Superintendent (whom is no longer with the district) was covered by a continuation certificate. This is what the bond company sent and was forwarded to the county clerk. It was recorded and the district has never been notified that it was a problem in the past.
2. Assistant Superintendent's bond was not properly filed with the chancery clerk's office. All bond certificates are mailed to the chancery clerk's office and notification was not given that one was not recorded. According to our records it was recorded in book 2020 page 111 bond #PRS1043336
3. The Federal Programs, Child Nutrition and Athletic directors are bonded as purchasing agents; however, board policy does not name them specifically as needing to be. Due to the nature of their jobs, the district finds it necessary for them to be bonded as purchasing agents. Therefore, the policy will be amended to include all three positions.

## Corrective Action Plan:

- A. Moving forward if a continuation certificate is sent, notification will be given to the bond company that this is not sufficient and a policy was put into place to cover the federal programs director, the child nutrition director and the athletic director.
- B. Denise Ladner
- C. Corrective actions were put into place immediately following the finding.

Sincerely,

Mr. Rhett Ladner  
Superintendent