

ITAWAMBA COUNTY SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

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

SHAD WHITE
State Auditor

Stephanie C. Palmertree, CPA, CGMA
Deputy State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*



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

February 21, 2023

Limited Internal Control and Compliance Review Management Report

Itawamba County School District
605 South Cummings Street
Fulton, Mississippi 38843

Dear Itawamba County School Board:

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

1. Strengthen Internal Controls over Segregation of Duties;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Activity Fund Cash Receipts and Deposits;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
5. Strengthen Internal Controls and Ensure Compliance with State Law over Incentives/Gifts for Students;
6. Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations;
7. Ensure Compliance with State Law over School Board Member Nepotism and Ethics;
8. Ensure Compliance with State Law over Superintendent's Ethics;
9. Ensure Compliance with State Law over Principal's & Director's Ethics;
10. Ensure Compliance with State Law over Ratifying Checks;
11. Ensure Compliance with State Law over Purchasing Procedures;
12. Ensure Compliance with State Law over Credit Card Purchases;
13. Ensure Compliance with State Law over the Purchase of School Buses;
14. Ensure Compliance with State Law over Board Approved Merchant – Specific Credit Cards;
15. Ensure Compliance with State Law over Ad Valorem Resolution;
16. Ensure Compliance with State Law over Ad Valorem Escrow;
17. Ensure Compliance with State Law over Approved Contracts, Obtaining and Maintaining Background Checks, and Maintenance of Personnel Files;
18. Ensure Compliance with State Law over Statements of Economic Interest;
19. Ensure Compliance with State Law over Gifts for Teachers;
20. Ensure Compliance with State Law over Free Admission for District Employees and Reimbursements for MHSAA State Passes;
21. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
22. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by March 7, 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 Itawamba County School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,



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 Itawamba 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 over financial reporting that we consider to be a *material weakness* in internal control and certain deficiencies in internal control that we consider to be *significant deficiencies* in internal control. These matters are noted under the heading **SIGNIFICANT DEFICIENCY**. We also identified another deficiency that we have noted under the heading **OTHER DEFICIENCIES** and **NONCOMPLIANCE WITH STATE LAW**.

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**.

SIGNIFICANT DEFICIENCY

Finding 1: The School District Should Strengthen Internal Controls over Segregation of Duties.

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 adequate segregation of duties.

Finding Detail: During the review of the School District's internal controls, the auditors noted the following exceptions:

- At all schools, except Itawamba Agricultural High School, the school secretaries issued and recorded receipts, and prepared and made deposits; and
- In Central Office, the Assistant Superintendent issued and recorded receipts, and prepared and made deposits.

Failure to implement adequate segregation of duties surrounding administration of receipts and deposits could result in the fraud or loss of public funds.

Recommendation: We recommend the Itawamba County School District strengthen internal controls by implementing adequate internal controls to ensure there are proper segregation of duties surrounding monies collected and deposited within all locations.

District's Response: Will work on segregation of duties among schools and central office. Will go over in meeting 1/28/22 with school principals and secretaries

Repeat Finding: No.

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 Activity Fund Cash Receipts and Deposits.

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

School Board Policy, Section D, Fiscal Management, Section DK – Student Activities Fund Management, states “A person remitting activity funds to the principal for deposit will be given the original receipt, the second copy will be attached to the transmittal report to the central office, and the third copy will be kept in the book and on permanent file in the principal’s office. All of these pre-numbered receipts must be accounted for ... All funds collected within the school much be deposited daily...”

Applicable State Law: *Accounting Manual for School Districts, Section F, Activity Funds, General Financial Requirements – Reporting*, prescribed by the Mississippi Department of Education, states, “No later than five working days after the close of the month, the principal will deliver to the central office a transmittal report of all activity fund transactions for the preceding month.” The Mississippi Department of Education prescribes the receipt and transmittal report forms to be used by the school districts.

Finding Detail: During the review of the School District’s activity funds, the auditors noted the following exceptions:

- Three transmittal forms were not submitted to Central Office; therefore, auditors could not properly trace the game deposits; and
- Two ticket count sheets did not have evidence of beginning and/or ending ticket numbers due to continuing to collect revenue after running out of pre-numbered tickets.

Inadequate internal controls related to activity fund revenue collections and proper recording could result in a loss of assets and improper revenue recognition. Failure to properly submit transmittals for all activity revenue resulted in the noncompliance with state regulations

Recommendation: We recommend the Itawamba County School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure activity fund revenue is adequately recognized and recorded, as required by state regulations.

District’s Response: Correcting. 1/28/2022 we have scheduled a meeting with everyone to go over and get corrected ASAP.

Repeat Finding: No.

Finding 3: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval.

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 37-61-19, 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 form a fund in excess of the resources available within that fund...”

Finding Detail: During the review of the School District’s budgeting expenditures, the auditors noted the following exceptions:

- The District’s actual expenditure for fiscal year 2021 for the following funds exceeded the budgeted expenditures in the amount of **\$32,430**:
 - Fund 2311 (Title V Rural and Low Income) - **\$27,165**;
 - Fund 2511 (Title II – A) - **\$5,265**;
- On August 5, 2020, the Board approved the original budget for fiscal year 2021 that included the District Maintenance Fund (1120) reflecting a negative fund balance at year-end, totaling **\$130,706**; and
- On October 15, 2021, the Board approved the amended budget for fiscal year 2021 that included the Title V Rural and Low Income 2019 Fund (2319) reflecting a negative fund balance at year-end, totaling **\$8,937**.

Failure for the District to ensure there are available resources for all expenditures could result in deficit fund balances. The actual fund balances at June 30, 2021 for Fund 1120 and Fund 2319 were not determined to be negative; however, the approval of fund budgets with ending deficit fund balances could result in a violation of state law.

Recommendation: We recommend the Itawamba County School District strengthen internal controls and ensure compliance over budgeting 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: We were not projecting a negative fund balance; we were showing to the Board that we would use some saved fund balance monies. We never projected or anticipated a negative balance or spending more than the resources we had available. The negative amounts were due to spending of prior year monies. Will add prior year left to spend in next year to budget expenses.

Auditor’s Note: As noted above, there were funds within both the original and amended budget in which the District projected negative fund balances. The School Board should not approve budgets with negative fund balances unless the fund is actually negative. School Boards adopt annual operating budgets for individual funds to establish legal authorization for their spending.

Repeat Finding: No.

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements.

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

Applicable State Law: *Section 25-3-41(4), Mississippi Code Annotated (1972)*, states, “In addition to the foregoing, a public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the travel, subject to limitations placed on meals for intrastate and interstate official travel by the Department of Finance and Administration, provided, that the Legislative Budget Office shall place any limitations for expenditures made on matters under the jurisdiction of the Legislature. The Department of Finance and Administration shall set a maximum daily expenditure annually for such meals and shall notify officers and employees of changes to these allowances immediately upon approval of the changes.”

Finding Detail: During the review of the School District’s travel reimbursements, the auditors noted that two travel vouchers did not have corroborating evidence maintained within the District.

Failure to have adequate controls surrounding the District’s travel reimbursements could result in waste, fraud, and abuse of public funds. Also, the failure to have proper documentation for reimbursements resulted in noncompliance with state law.

Recommendation: We recommend the Itawamba County School District strengthen internal controls and ensure compliance by implementing adequate procedures to ensure travel reimbursements are properly documented and verified, as required by state law.

District’s Response: Will check before approving to ensure have reason for travel on all forms.

Repeat Finding: No.

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Student Incentives/Gifts for Students.

Internal Control Deficiency: Management is responsible for ensuring that the assets of the District are safeguarded. The School Board should adopt a Board policy to include guidance on purchased items that may subsequently become the personal property of individuals. Also, the School Board should not approve the purchase of such items in excess of **\$50** per individual.

Applicable State Law: *Section 37-7-301(s), Mississippi Code Annotated. (1972)*, states, “Activity funds may only be expended for any necessary expenses or travel costs, including advances, incurred by students and their chaperons in attending any in-state or out-of-state school-related programs, conventions or seminars and/or any commodities, equipment, travel expenses, purchased services or school supplies which the local school governing board, in its discretion, shall deem beneficial to the official or extracurricular programs of the district, including items which may subsequently become the personal property of individuals, including yearbooks, athletic apparel, book covers and trophies...”

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

Finding Detail: During the review of the School District’s expenditures, the auditors noted the following student incentives were purchased for students, totaling **\$1,243**:

- Monster Spark portable Bluetooth speaker - **\$60**;
- Bose Sounlink Mini II Special Edition - **\$150**;
- ION Audio Total PA Max - **\$150**;

- ION Explorer FX High Power Bluetooth speaker - **\$140**;
- AfterShokz Air Open-Ear Wireless Bone Conduction - **\$160**;
- Stanley Fatmax 1200 Peak Amp Jump Starter with power station - **\$80**;
- Luggage -**\$160**;
- Can Cooler - **\$64**;
- Beats Flex wireless headphones - **\$100**;
- Vanity Mirror - **\$50**; and
- AirPods - **\$129**.

Failure on behalf of the School Board to adopt a policy on purchases that will become the personal property of its students and that are in excess of **\$50** resulted in an illegal donation and resulted in the violation of state law.

Recommendation: We recommend the Itawamba County School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures in regards to the purchase of items for students that will become their personal property, as required by state law.

District's Response: Correcting. Will go over with all schools in 1/28/22 meeting.

Repeat Finding: No.

Finding 6: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law Over Bank Reconciliations.

Internal Control Deficiency: Management is responsible for ensuring that the assets of the District are safeguarded and transactions are properly documented in the District's financial records. A critical aspect outstanding checks to the balance per bank statement to reconcile to the amount of cash that is listed on the general ledger of the District to what is recorded at the bank. The reconciliation process enables the Business Office to make adjusting journal entries to correct any mistakes or unrecorded items in the District's financial records.

Applicable State Law: *Accounting Manual for School Districts, Section B, Bank Depository Reconciliations*, prescribed by the Mississippi Department of Education, states, "Bank statements should be reconciled to the district's general ledger cash balances in a timely, accurate manner. The district should also ensure proper internal controls surrounding the completion and review of bank reconciliations."

Finding Detail: During the review of the School District's bank reconciliations, the auditors noted the following exceptions:

- The following six bank accounts were not properly reconciled to the District's general ledger's cash balance, totaling **(\$17,201)**:
 - District Maintenance - **(\$251)**;
 - Activity Fund (Mantachie) - **\$773**;
 - Activity Fund (Tremont) - **\$256**;
 - Lunchroom - **(\$28,998)**;
 - Payroll - **\$786**;
 - Accounts Payable – **(\$505)**;
 - Vocational Club Accounts - **\$10,738**; and
- The Vocational Club bank account was not on the District's books for fiscal year 2021.

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

Recommendation: We recommend the Itawamba County School District strengthen internal controls by implementing adequate policies and procedures to ensure all bank statements are reconciled timely and accurately to the District's general ledger. Also, Management should 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: We will reconcile bank to book. We will ensure no negative reconciliation. Will include vocational account. Reconciling items for each account are noted on the reconciliation and you can see what makes up each difference.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 7: The School District Should Ensure Compliance with State Law over School Board Member Nepotism and Ethics.

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

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

Finding Detail: During the review of the School District's Board minutes and related party questionnaires, the auditors noted the following exceptions:

- Two Board members did not recuse themselves during the approval of their children who were employed as an Assistant Principal and Director; and
- One Board member did not recuse themselves from the vote of the hiring of three nephews and nieces, who were employed as certified teachers.

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

Recommendation: We recommend the Itawamba County School District ensure compliance over ethics by recusing themselves during the vote of relatives, as required by state law. This matter has been referred to the *Mississippi Ethics Commission*.

District's Response: In the future, 1st and 4th District Board Members will recuse themselves from voting on the employment contracts of their relatives within the 3rd degree, and the 5th District Board Member in question has retired. However, the ICSD would state that all these relatives live independent of the respective Board Members and none are financially dependent on their relative Board Member.

Auditor's Note: As noted above, the Board Members failure to recuse themselves during the vote of relatives that are certified employees is a violation of state law. Additionally, regardless if they are financially independent, the District is in violation for the Board members not recusing themselves during the vote of their children,

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Superintendent's Recommendation of Relatives.

Applicable State Law: *Section 25-4-105(1), Mississippi Code Annotated (1972)*, prohibits a school superintendent from using his or her position to obtain or attempt to obtain any pecuniary benefit for his or her spouse or other "relative," as that term defined in *Section 25-4-103(q)*.

Section 37-9-17(1), Mississippi Code Annotated (1972), states, "The school board of any local school district shall be authorized to designate a personnel supervisor or another principal employed by the school district to recommend to the superintendent licensed employees or noninstructional employees; however, this authorization shall be restricted to no more than two (2) positions for each employment period for each school in the local school district. Any noninstructional employee employed upon the recommendation of a personnel supervisor or another principal employed by the local school district must have been employed by the local school district at the time the superintendent was elected or appointed to office; a noninstructional employee employed under this authorization may not be paid compensation in excess of the statewide average compensation for such noninstructional position with comparable experience, as established by the State Department of Education."

Mississippi Ethics Opinion 10-077-E, states, "If the school board's designee recommends the superintendent's spouse for employment in an eligible position, then the superintendent must fully recuse himself from the matter to comply with *Section 25-4-105(1)* ... "Furthermore, the minutes of the meeting should state the superintendent left the room before the matter came before the school board and did not return until after the vote."

Finding Detail: During the review of the School District's related party questionnaires, the auditors noted the following exceptions:

- The Superintendent did not recuse himself during the recommendation and rehire of his spouse as a certified teacher; and
- The Superintendent recommended to the School Board the rehire of his sister-in-law as a certified teacher.

Failure of the Board to spread upon its minutes the recusal of the Superintendent during the rehire of his spouse, and failure to not recommend the rehire of his sister-in-law resulted in the violation of *Mississippi Ethics Opinion 10-077-E* and *Mississippi Code Section 37-9-17(1)*.

Recommendation: We recommend the Itawamba County School District ensure compliance by assuring the Superintendent recuses himself during the rehire of his spouse and all other relatives within the first degree. Also, all actions in regards to recusals should be spread upon the Board's minutes. This has been referred to the *Mississippi Ethics Commission*.

District's Response: In the future, the Superintendent's renewal teaching recommendation will be done using the step aside provision in *Mississippi Code Section 37-9-21*.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Principals and Directors Recommending and Supervising Relative.

Applicable State Law: *Section 25-4-105(1), Mississippi Code Annotated (1972)*, prohibits a public servant from using his or her position to obtain or attempt to obtain any pecuniary benefit for his or her spouse or other "relative," as that term defined in *Section 25-4-103(q)*.

Section 37-9-17(1), Mississippi Code Annotated (1972), states, "The school board of any local school district shall be authorized to designate a personnel supervisor or another principal employed by the school district to recommend to the superintendent licensed employees or noninstructional employees; however, this authorization shall be restricted to no more than two (2) positions for each employment period for each school in the local school district. Any noninstructional employee employed upon the recommendation of a personnel supervisor or another principal employed by the local school district must have been employed by the local school district at the time the superintendent was elected or appointed to office; a noninstructional employee employed under this authorization may not be paid compensation in excess of the statewide average compensation for such noninstructional position with comparable experience, as established by the State Department of Education."

Mississippi Ethics Opinion 19-014-E, states, "No employee should work under the direct supervision of his or her relative, this would be a violation of *Section 25-4-105(1), Mississippi Code Annotated (1972)*."

Finding Detail: During the review of School District's related party questionnaires, the auditors noted the following exceptions:

- The Director of Transportation recommended the hire and the direct supervisor of his son, who is a bus driver; and
- One Principal recommended the hire and the direct supervisor of their sister, who is a tutor.

Failure to ensure Management does not recommend or supervise relatives within the first degree resulted in the violation of *Mississippi Ethics Opinion 19-014-E* and *Mississippi Code Sections 25-4-105(1)* and *37-9-17(1)*.

Recommendation: We recommend the Itawamba County School District ensure compliance over ethics by assuring that Management does not recommend nor directly supervisor their relatives within the first degree. This matter has been referred to the *Mississippi Ethics Commission*.

District's Response: The Itawamba County School District is in dire need of bus drivers. The Transportation Director's son was hired because of this need and an inability to find bus drivers. He lives independently of and is not financially reliant upon the Transportation Director. Tutors are hired by the Federal Programs Director and work at various schools. They are not hired by or ultimately supervised by the principals.

Auditor's Note: The need of bus drivers within the District does not negate the state law and regulations. As stated above, this matter is a violation of *Mississippi Ethics Opinion 19-014-E, Section 25-4-105(1)*, and *37-9-17(1)*. Additionally, auditors reviewed of page 238 of the District's Board minutes where it notes that the Principal recommended their sister within the same school which would make the Principal their direct supervisor.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Ratifying Checks.

Applicable State Law: *Section 37-7-301(o), Mississippi Code Annotated (1972)*, states, "To make orders directed to the superintendent of schools for the issuance of pay certificates for lawful purposes on any available fund of the district and to have full controls of the receipt, distribution, allotment and disbursement of all fund provided for the support and operation of the schools of such school district whether such funds be derived from state appropriations, local ad valorem tax collections, or otherwise. The local school board shall be authorized and empowered to promulgate rules and regulations that specify the types of claims and set limits of the dollar amount for payment of claims by the superintendent of schools to be ratified by the board at the next regularly scheduled meeting after payment has been made;

Section 37-9-14(3), Mississippi Code Annotated (1972), states, "All fund to the credit of a school district shall be paid out on pay certificates issued by the superintendent upon order of the school board of the school district properly entered upon the minutes thereof, and all such order shall be supported by properly itemized invoices from the vendors cover the materials and supplies purchased."

Attorney General Opinion 2002-0658 provides that pay certificates may be issued by the Superintendent without prior approval of the school board on the payment of specific claims in accordance with exceptions noted within *Section 37-9-14(7)*, such as teacher's salaries, salaries of drivers of publicly owned school buses, travel advances, amounts due private contractors or other obligations where the amount thereof has been previously approved by a contract or by an order of the school board entered upon its minutes, or by inclusion in the current fiscal year budget.

School Board Policy, Section D, Policy DJEJA, Bill Payment Authorization: Capital Equipment, Goods, and Services, states, "The Board of Education of the Itawamba County School District hereby authorizes the Superintendent to pay, prior to Board approval, all legal and proper claims for an amount not in excess of \$150,000. Any such claims paid prior to Board approval shall be ratified by the Board at the next regularly scheduled meeting after the payment has been made. The \$150,000 limitation stated above shall not apply to obligations the amount of which have already been approved by the Board through its approval of a contract or by an order entered on its minutes or by specific inclusion in the current fiscal year budget. Additionally, the Board hereby authorizes the Superintendent to pay, prior to Board approval, annual insurance fees in excess of **\$150,000**. The payment of insurance fees shall be ratified at the next regularly scheduled meeting after payment has been made."

Finding Detail: During the review of the School District's check disbursements, the auditors noted that at each school, the bookkeepers disbursed checks prior to Board approval and were ratified the following month.

Inadequate internal controls over check disbursements could result in fraud or misappropriation of public monies. Also, failure to ensure only the Superintendent disburses checks prior to Board approval resulted in a violation of state and the the District's Board policy.

Recommendation: We recommend the Itawamba County School District ensure compliance by implementing adequate policies and procedures to ensure only the Superintendent disburses checks prior to Board approval, as required by state law and its Board policy.

District's Response: Currently working to get this corrected. Meeting 1/28/22 with all schools.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Law over Purchasing Procedures.

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

Section 31-7-13(c), Mississippi Code Annotated (1972), requires the District to obtain from the lowest and best bidder after advertising for two (2) consecutive weeks in the local newspaper when the expenditure is in excess of \$50,000 exclusive of freight and shipping charges.

Section 31-7-13(o), Mississippi Code Annotated (1972), states, "No contract or purchase as herein authorized shall be made for the purpose of circumventing the provisions of this section requiring competitive bids, nor shall it be lawful for any person or concern to submit individual invoices for amounts within those authorized for a contract or purchase where the actual value of the contract or commodity purchased exceeds the authorized amount and the invoices therefor are split so as to appear to be authorized as purchases for which competitive bids are not required. Submission of such invoices shall constitute a misdemeanor punishable by a fine of not less than Five Hundred Dollars (\$ 500.00) nor more than One Thousand Dollars (\$ 1,000.00), or by imprisonment for thirty (30) days in the county jail, or both such fine and imprisonment. In addition, the claim or claims submitted shall be forfeited."

Mississippi Department of Information Technology Services, Policy 8, Solicit Quotations and Evaluate Seller Offerings for Lowest and Best, Section 8.5, states, "EPL customers must evaluate seller proposals and document that they are choosing the products and sellers that meet their "lowest and best" criteria and that proposals are valid for the IT Hardware EPL."

Finding Detail: During the review of the School District's purchasing procedures, the auditors noted the following exceptions:

- Three purchase orders were split for vendors, Goodyear and BSN Sports, totaling **\$20,010**, which circumvented purchase law. This was determined due to the purchase orders being numbered in sequential order.

- Two sole source purchases were approved by the School Board based on a letter from the vendor;
- One vendor purchase for a golf cart had quotes that were not comparable, totaling **\$8,750**;
- One vendor payment was in excess of the purchase order, totaling **\$606**;
- One vendor purchase from the Express Product List (EPL) #3760 did not have a second bid, per the EPL's instructions; and
- One vendor purchase from the Express Product List (EPL) #3760 was made where additional bids were received; however, the District chose an other-than-lowest bid without Board approval.

Failure to follow purchase law could result in fraud or misappropriation of public monies and resulted in the District's noncompliance with state law and regulations.

Recommendation: We recommend the Itawamba County School District ensure compliance over purchasing procedures by implementing adequate policies and procedures to ensure all purchases are made as required by state law and regulations.

District's Response #1: The Federal Program director did that quote. It was not turned in with the paperwork to process for payment. We realize what we did was incorrect by not getting two quotes on the same brand from EPL and also chose one that was not lowest and should have gotten Board approval. We were trying to get Chromebooks in as fast as possible to get in kids hands during COVID issues.

District's Response #2: On the Club car, we went back and forth on getting comparable bids. We did not catch the 2021 vs 2020. This could have been error on the quote.

District's Response #3: *Section 31-7-13 (viii)* only requires an "agency" to file with DFA. While "governing authorities" are required to file with their boards. A school district is a governing authority as defined by *Mississippi Code Section 31-7-1* and not an agency. *Section 31-7-13 (viii)* specifically says the necessary paperwork shall be filed with DFA "or" the board of the governing authority as the case may be. Therefore, filing approval with DFA is not required of a school district.

Auditor's Note #3: The Itawamba County School District is considered a "governing authority." As noted in the *Attorney General Opinion No. 2012-00158* listed above, a governing authority cannot rely solely on a letter from a vendor declaring itself as a sole source.

District's Response #4: Three purchases possibly split to avoid bids. Goodyear tire-what happened here is they were servicing a bus before Christmas holidays and had used tires 10R22.5 so the on hand inventory got low and had to order that size when they returned. Then on 1/5 and 1/8 they had buses that had tire issues or flats that used 11R22.5 and so they had to order those. The transportation director is aware of bids and it just happened that tires were used on both days apart. BSN sports-communicated to secretary what to do when requisition turned in like this and will communicate to all schools on 1/28/22 meetings.

District's Response #5: The **\$606** difference was approved by purchasing agent. What she does is correct it in the system before payment then she just uses red pen to mark through and writes in red the correct amount on purchase order.

Auditor's Note #5: On review of changes noted on the purchase order, there were no initials or dates that would correspond with changes made. For best practice, changes in purchases should be a new purchase order or there should be notes of these changes with the initials of the Purchasing Agent and the date in which the changes were made.

Repeat Finding: No.

Finding 12: The School District Should Ensure Compliance with State Law over Credit Card Purchases.

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...“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.

Finding Detail: During the review of the School District’s credit card purchases, the auditors noted the following exceptions out of the 15 tested:

- Two credit card purchases were in excess of the purchase order; and
- One credit card purchase paid on two invoices was in excess of **\$5,000** which circumvented purchase law.

Failure to follow proper procedures when making credit card purchases could result in fraud, waste, and abuse and resulted in noncompliance with state law.

Recommendation: We recommend the Itawamba County School District ensure compliance over credit card purchases by implementing adequate policies and procedures to ensure are purchases are as required by state law.

District’s Response: The two instances where expenses were greater than the purchase order: This is where purchasing agent marks through in red and writes the amount. She does not reprint. The one instance: Amazon had emailed day after order and so Federal Program Director had to get the other quote. Quote was not attached to Accounts Payable copy.

Auditor’s Note: Per review of changes mentioned in the District’s response, the auditors noted there were no initials or dates that would correspond with the changes made to the purchase order. For best practice, changes in purchases should be a new purchase order or there should be notes of these changes with the initials of the Purchasing Agent and the date in which the changes were made.

Repeat Finding: No.

Finding 13: The School District Should Ensure Compliance with State Law over the Purchase of School Buses.

Applicable State Law: *Section 37-41-101, Mississippi Code Annotated (1972)*, specifically states that no School Board of any District may purchase or lease a school bus for the transportation of its pupils without the authorization of the State Board of Education. Furthermore, for the safety of the District’s pupils, all school buses purchased or lease must conform with the specification of the State Board of Education.

Finding Detail: During the testing of the School District’s purchases, the auditors noted the Board approved the purchase of school buses, totaling **\$637,800**; however, there was no evidence of approval from the *Mississippi Department of Education*.

Failure to submit and obtain the approval for school bus purchases from the *Mississippi Department of Education* could result in the District’s school bus purchases not meeting the specifications required for the safety of the District’s pupils and resulted in noncompliance with state law.

Recommendation: We recommend the Itawamba County School District ensure compliance over bus purchases by assuring all school bus purchases are approved by the *Mississippi Department of Education*, as required by state law.

District's Response: We realize our application was not done. This was an oversight on this purchase we usually always have.

Repeat Finding: No.

Finding 14: 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 the 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 auditors noted the District utilizes a Walmart/Capital One credit card; however, the Board did not approve nor spread across its minutes the justification of its use.

Failure to approve merchant – specific credit cards resulted in the noncompliance with state regulations.

Recommendation: We recommend the Itawamba County School District ensure compliance over merchant – specific credit cards by assuring their use is approved by the Board and a detailed justification is spread upon its minutes, as required by state law.

District's Response: The card in question was authorized over 20 years ago when the Board minutes were typed on a typewriter. They are not electronically searchable and not even the exact year it was approved is known. Written justification for the need of a merchant specific card will be presented for Board approval again.

Auditor's Note: Merchant – specific credit cards should be approved when there is a change in the members on the District’s Board. No Board member should be held liable for a discussion or decision made of a previous Board. Also, Management is responsible for ensuring this documentation is accessible and available for review.

Repeat Finding: No.

Finding 15: The School District Should Ensure Compliance with State Law over Ad Valorem Resolution.

Applicable State Law: *Section 37-57-104(1), Mississippi Code Annotated (1972)*, states, “Each school board shall submit to the levying authority for the school district a certified copy of an order adopted by the school board requesting an ad valorem tax effort in dollars for the support of the school district. The copy of the order shall be submitted by the school board when the copies of the school district’s budget are filed with the levying authority pursuant to *Section 37-61-9*. Upon receipt of the school board’s order requesting the ad valorem tax effort in dollars, the levying authority shall determine the millage rate necessary to generate funds equal to the dollar amount requested by the school board. For the purpose of calculating this millage rate, any additional amount that is levied pursuant to *Section 37-57-105(1)* to cover anticipated delinquencies and costs of collection or any amount that may be levied for the payment of the principal and interest on school bonds or notes shall be excluded from the limitation of fifty-five (55) mills provided for in subsection (2) of this section.”

Finding Detail: During the review of the School District’s ad valorem taxes, the auditors noted the School Board did not certify a resolution of the ad valorem tax request to submit to the levying authority.

Failure to certify and submit to the levying authority a resolution of ad valorem tax request resulted in noncompliance with state law.

Recommendation: We recommend the Itawamba County School District ensure compliance over ad valorem by submitting to the levying authority a certified copy of its Board resolution requesting an ad valorem tax effort each budget year, as required by state law.

District’s Response: We have corrected for 21/22 school year.

Repeat Finding: Yes; 2020-002.

Finding 16: The School District Should Ensure Compliance with State Law over Ad Valorem Escrow.

Applicable State Law: *Section 37-57-107(3), Mississippi Code Annotated (1972)*, states, “Except as otherwise provided for excess revenues generated pursuant to an election, if revenues collected as the result of the taxes levied for the fiscal year pursuant to this section and *Section 37-57-1* exceed the increase limitation, then it shall be the mandatory duty of the school board of the school district to deposit such excess receipts over and above the increase limitation into a special account and credit it to the fund for which the levy was made. It will be the further duty of such board to hold said funds and invest the same as authorized by law. Such excess funds shall be calculated in the budgets for the school districts for the purpose for which such levies were made, for the succeeding fiscal year. Taxes imposed for the succeeding year shall be reduced by the amount of excess funds available. Under no circumstances shall such excess funds be expended during the fiscal year in which such excess funds are collected.”

Finding Detail: During the review of the School District’s ad valorem receipts, the auditors noted the District received more ad valorem taxes and homestead exemption reimbursements than the amount allowed, totaling **\$120,417** . The excess is the result of the District receiving more tax revenue from the County than the District’s base amount during the 2020 – 2021 year.

Due to the inadequate calculations and controls surrounding the escrow of the excess ad valorem and homestead tax revenue the District is in violation of *Section 37-57-107*.

Recommendation: We recommend the Itawamba County School District ensure compliance over ad valorem by implementing adequate policies and procedures to ensure ad valorem taxes and homestead reimbursements are properly calculated. Also, the School District should restrict the escrow amount totaling **\$120,417** for one year, as required by state law.

District’s Response: Internal measures will be put in place to calculate during budget and at 06/30 of each year.

Repeat Finding: No.

Finding 17: The School District Should Ensure Compliance with State Law over Approved Contracts, Obtaining and Maintaining Background Checks, and Maintenance of Personnel Files.

Applicable State Law: *Section 37-9-17(2), Mississippi Code Annotated (1972)*, states, “...current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and

registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board or at such local school district prior to July 1, 2000.”

Section 37-19-7, Mississippi Code Annotated (1972), states, “The allowance in the Mississippi Adequate Education Program for teachers’ salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers’ salaries as provided in this subsection.”

Attorney General Opinion 1984 WL 247596 and *Section 37-9-43, Mississippi Code Annotated (1972)*, states, “It shall be unlawful for a superintendent, principal, or teacher to be paid for any services as such until a written contract has been executed as is provided and required by this chapter. If any county superintendent or municipal separate school district superintendent shall make any such payment prior to the execution of the contract he shall be civilly liable for the amount thereof, and, in addition, the county superintendent shall be liable upon his bond. Therefore, it is our opinion that since teachers can only be paid pursuant to the written contract, they could not, under the circumstances you describe, receive pay for extra work which is not a part of their contract with the school District.”

Accounting Manual for School Districts, Section B, , Personnel Files, prescribed by the Mississippi Department of Education, 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.” Additionally, all new hired licensed and non-licensed employees are required to have criminal records background and child abuse registry checks.

Finding Detail: During the review of the School District’s personnel files, the auditors noted the following exceptions out of the 15 tested:

- Nine certified employees’ supplement contracts were not signed by the Superintendent;
- One certified employee’s personnel file did not have evidence of a background check;
- One certified employee’s contract was **\$660** less than the Board – approved salary scale; and
- One certified employee was paid **\$117** more than their signed and approved contract;

Inadequate controls in regards to maintenance of personnel files could lead to improper payments made to employees. Failure to obtain background checks of all new hires, pay employees according to the Board – approved salary scale and contract, and to properly execute written supplemental contracts resulted in noncompliance with state law and regulations.

Recommendation: We recommend the Itawamba County School District ensure compliance over by assuring criminal background checks are obtained, certified employees are paid per approved salary scale and contracts, and that all supplemental contracts are properly signed and executed, as required by state law and regulations.

District’s Response: Business Manager and Assistant Business Manager are working on process to ensure we have all contracts checked and information in personnel file. Background checks for one employee was either inadvertently not completed or it was misfiled. This employee will submit to a current background check.

Repeat Finding: No.

Finding 18: The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

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

Finding Detail: During the review of the School District’s Statements of Economic Interest, the auditors noted one Board member did not file a Statement of Economic Interest by May 1st.

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

Recommendation: We recommend the Itawamba County School District ensure compliance implementing adequate procedures to ensure all School Board members file a statement annually, no later than May 1st of each year that such official holds office, regardless of the duration.

District’s Response: Internal measures will be put into place reminding all Board Members of the May 1st deadline and ensure that the Statements of Economic Interests are completed prior to the deadline.

Repeat Finding: No.

Finding 19: The School District Should Ensure Compliance with State Law over Gifts for District Employees.

Applicable State Law: *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...”

Attorney General Opinion No. 1999-0380, states, “We can find no authority to expend public fund for teach recognition banquets.” In addition, *Attorney General Opinion No. 2002-0672*, state, “...that municipalities do not have the authority for gifts, plaques, or mementos for employees upon retirement.”

Finding Detail: During the review of the School District’s purchases, the auditors noted two vendor purchases were for gift cards and other miscellaneous gifts for a back-to-school event for teachers, totaling **\$12,659**. These purchases constitute as a donation under the *Mississippi Constitution*.

The purchase of gift cards for its teachers resulted in noncompliance with state law and regulations.

Recommendation: We recommend the Itawamba County School District ensure compliance by assuring public funds are not improperly expended on its personnel, as required by state law and regulations.

District’s Response: Communicated with Curriculum Director that she could not provide these type of gifts. She could only provide them with classroom supplies.

Repeat Finding: No.

Finding 20: The School District Should Ensure Compliance with State Law over Free Admission to School – Sponsored Events and the Purchase of MHSAA State Passes.

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

Attorney General Opinion 2011-00405 states, “Pursuant to Section 96, teachers who are current under contract to perform services during the school year may not be given extra compensation using state dollars for services rendered which are already covered by the contract. *MS AG Op., Adams January 10, 2003*. If teachers have already contracted with the school district and part of their contractual duties include working games and extra-curricular activities, Article 4, Section 96 of Mississippi Constitution prohibits the school district from using state dollars to compensate the teachers for services rendered which are already covered by the contract.”

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...”

Finding Detail: During the review of the School District’s extracurricular events, the auditors noted the following exceptions:

- The District allowed free entry to all sporting events for the District employees and their spouses; and
- The District paid for Mississippi High School Athletic Association (MHSAA) state passes for the following employees without being reimbursed, totaling **\$420**:
 - Four Board members;
 - Two Elementary School Principals;
 - Two Directors; and
 - Six Employee’s spouses.

Failure to ensure free admission is not allowed to public employees to extracurricular activities could result in an illegal donation. Additionally, failure to ensure to be reimbursed for the purchase of MHSAA statewide passes for District employees other than the Coaches, Superintendent, Athletic Director, and High School and Middle School Principals could result in an illegal donation.

Recommendation: We recommend the Itawamba County School District ensure compliance over game admissions by implementing policies and procedures in regards to the free admissions and the payment of MHSAA statewide pass of its personnel to school – sponsored events to avoid making an illegal donation to public servants.

District’s Response: *A/G Opinion 2005-0039* deals with retired school board members whose services had already been rendered and not current employees and current board members.

Auditor’s Note: The *Mississippi Constitution* refers to all employees, not just retired School Board members. Free admission to school – sponsored events should be a benefit to the District and not to the employee themselves. If the District is requiring its employees to attend school – sponsored events, this job duty should be included in a Board Policy and executed contract.

Repeat Finding: No.

Finding 21: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

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

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

Finding Detail: During the review of the School District’s PERS Form 4Bs, the auditors noted the following exceptions out of 44 tested:

- Twenty - five Form 4Bs did not have evidence of being filed with PERS;
- One Form 4B did not have evidence of rehire date; therefore, the auditors could not corroborate if the retiree was rehired 90 days after retirement; and
- One Form 4B did not have evidence of the retiree’s retirement salary; therefore, the auditors could not determine if his/her salary exceeded the allowed salary amount.

Failure to file the PERS Form 4B could result in overpayment of retiree and the School District being assessed penalties by PERS. Also, this resulted in noncompliance with state law and regulations

Recommendation: We recommend the Itawamba County School District ensure compliance by assuring all Form 4Bs are properly completed and filed with PERS, as required by state law and regulations.

District’s Response: In regards to the PERS Form 4B that did not have evidence of the retiree’s retirement salary, the retiree works for another PERS employer. He fills out form through them and just works for us some. We are currently emailing all forms. We will attach a copy of email to the PERS Form 4Bs. We will have checks in place to review and ensure reports are properly filled out and sent to PERS timely.

Repeat Finding: No.

Finding 22: 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 37-39-21, Mississippi Code Annotated (1972), states, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety.”

School Board Policy, Section D, Policy DJEA, “Purchasing Authority,” states, “This school board hereby gives the school principals the limited authority to negotiate for and purchase commodities and services necessary for the operation

of their schools with the activity funds for which they are responsible as defined in board policy DK C Student Activities Fund Management, subject to all purchasing laws.”

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

- Nine Principals were not bonded as Purchasing Agents, as designated by the District’s Board Policy;
- Eight Principals were covered by continuation certificates instead of official bonds; and
- The Business Manager performs the duties of a Purchasing Agent; however, they are only bonded as the Business Manager. Additionally, the District’s Board policy does not designate this position as a Purchasing Agent.

A “continuation certificate” is a document that extends the life of the original surety bond. It only covers the current bonding period rather than both the current and previous periods. In the event of fraud or misappropriation of funds, having continuation certificates instead of new bonds could limit the amount available for recovery if the loss occurred over multiple terms.

Failure to ensure all employees are correctly and sufficiently bonded could result in the loss of public funds and resulted in noncompliance with state law and the District’s Board Policy.

Recommendation: We recommend to Itawamba County School District ensure compliance by securing new bonds every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee as statutorily required. Also, the School District should also ensure all employees designated by the Board as Purchasing Agents are properly bonded and those who perform the duties of a Purchasing Agent be bonded as such.

District’s Response: On January 21, 2022, the insurance carrier was notified and informed that all future principals’ bonds must be new and not continuations. Effective July 1, 2021, all principals became bonded as purchasing agents in addition to their normal principal bond. Policy DJEA will be presented to the Itawamba County School Board at its February meeting for amendment naming the Business Manager as a purchasing agent.

Repeat Finding: Yes; 2020-001.

End of Report

ITAWAMBA COUNTY SCHOOL DISTRICT
605 South Cummings Street
Fulton, MS 38843

Trae Wiygul
Superintendent of Education

Phone 662-862-2159
Fax 662-862-4713

Compliance Review Findings

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

March 7, 2023

Dear Mr. White:

Below are the responses and corrective action plans for the compliance review for the Itawamba County School District for the fiscal year ending June 30, 2021.

AUDIT FINDINGS:

Finding 1: The School District Should Strengthen Internal Controls over Segregation of Duties.

Response: Itawamba County School District concurs with the finding and will work to strengthen internal controls over segregation of duties in issuing receipts for money and depositing of money.

Corrective Action Plan:

A: Individuals issuing receipts for the money will differ from individuals preparing the deposit slips and taking the money to the bank.

B: Jennifer Gray is the contact person for this finding and responsible for the corrective action plan.

C: On January 28, 2022 we held a meeting with individuals involved in issuing receipts and depositing money to ensure that we segregate our cash duties.

Finding 2: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Activity Fund Cash Receipts and Deposits.

Response : The Itawamba County School District concurs with the compliance issues with activity funds. We will work on getting each school to follow policies and procedures for activity funds.

Corrective Action Plan:

A: Secretaries from each school will turn in all paperwork related to activity deposits to the central office. They will ensure that all paperwork is correct and support each deposit made.

B: The assistant business administrator will check over each school's paperwork to look for accuracy.

C: Jennifer Gray is the contact person for this finding and responsible for the corrective action plan.

D: On January 28, 2022 this finding was discussed with each school. It was communicated what policy and procedures were to be followed.

Finding 3: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval.

Response: The Itawamba County School District does not concur with the finding of negative budget fund balances. The district just did not put on the budget report the bring forward amount of the funds therefore it appeared to budget negative fund balances. This has been corrected in the 22/23 budget. The district now has a beginning fund balance.

Corrective Action Plan:

A: Budget should not have negative fund balance ending on accounts other than district maintenance of going into fund balance to pay for a project.

B: Jennifer Gray is responsible for the corrective action plan.

C: Currently following this corrective action plan.

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements.

Response: The Itawamba County School District concurs with the finding relating to travel reimbursement. We will put in place procedures for the purchasing agent and business administrator to follow when checking travel.

Corrective Action Plan:

A: Purchasing Agent will check for reason and point of travel, will ensure maps or our approved mileage is used for each trip, and will ensure accuracy on totaling for the reimbursement amount.

B: Business Administrator will look over and ensure the travel reimbursement form is filled out properly and the sign the form.

C: Belinda Dill (purchasing agent) and Jennifer Gray (business administrator) are the responsible parties for the corrective action plan.

D: On January 28, 2022 we held a meeting to address these issues and to immediately implement this corrective action plan.

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Student Incentives/Gifts for Students.

Response: The Itawamba County School District concurs with the finding relating to student incentives/gifts. These items were connected to senior project graduation party.

Corrective Action Plan:

A: Ensure that gifts/incentives are not purchased for students that will result in their personal property.

B: Belinda Dill (purchasing agent) and Jennifer Gray (business administrator) are the responsible parties for this corrective action plan.

C: January 28, 2022 we had a meeting with schools to communicate that items could not be purchased for the students that would result in the items becoming personal property of the students.

Finding 6: The School District Should Strengthen Internal Controls and Ensure Compliance with state Law Over Bank Reconciliations.

Response: The Itawamba County School District concurs with the finding relating to bank reconciliations. The bank accounts were reconciled and balanced but items were listed as adjustment to the general ledger instead of the bank.

Corrective Action Plan:

A: Properly reconcile bank accounts to ensure adjusted bank balance and adjusted general ledger balances are correctly stated with adjustments.

B: Jennifer Gray is the responsible party for the corrective action plan.

C: Corrected in February 2022.

Finding 7: The School District Should Ensure Compliance with State Law over School Board Member Nepotism and Ethics.

Response: The Itawamba County School District concurs with the finding relating to board members and relatives. The employees in the findings are relatives that live independent of the respective board members and none are financially dependent on the related board member.

Corrective Action Plan:

A: Board members will have to recuse themselves from voting on the employment of their relatives within the 3rd degree.

B: Trae Wiygul (superintendent) and Jennifer Gray (business administrator) are the responsible parties for the corrective action plan.

C: We are currently ensuring we abide by the laws.

Finding 8: The School District Should Ensure Compliance with State Law over Superintendent's Recommendations of Relatives.

Response: The Itawamba County School District concurs with the finding of the superintendent recommending relatives.

Corrective Action Plan:

A: Recommendations relating to superintendent and relatives, The district will use the step aside provision in Mississippi Code Section 37-9-21.

B: Trae Wiygul (superintendent) and Jennifer Gray (business administrator) are the responsible parties for the corrective action plan.

C: We are currently following the step aside provision.

Finding 9: The School District Should Ensure Compliance with State Law over Principals and Directors Recommending and Supervising Relatives.

Response: The Itawamba County School District concurs with the finding. Although the district is in dire need of bus drivers, the district will ensure that all potential bus driver positions will be recommended by the supervising principal and follow all appropriate hiring laws set by the state.

Corrective Action Plan:

A. The district will abide by current district policies which require principals to recommend all non-instructional positions. The superintendent will present those recommendations to the board for approval.

B. Responsible party: The superintendent, Trae Wiygul

C. We are currently following this action plan

Finding 10: The School District Should Ensure Compliance with State Law over Ratifying Checks.

Response: The Itawamba County School District concurs with the finding of ratifying checks.

Corrective Action Plan:

A: The district will not have checkbooks other than at the central office where the superintendent signs any check written.

B: Jennifer Gray is responsible for the corrective action plan.

C: January 28, 2022 the district removed all checkbooks from schools.

Finding 11: The School District Should Ensure Compliance with State Law over Purchasing Procedures.

Response: The Itawamba County School District concurs with this finding. Most of the instances for this finding were due to human error or odd coincidences that created the purchasing mistakes.

Corrective Action Plan:

- A. Itawamba County School District will follow all applicable purchasing laws. This shall be in accordance with the disallowance of splitting invoices in addition to properly approving all sole sources through local school board approval and DFA approval.
- B. Itawamba County School District shall ensure that all quotes for purchases over \$5,000 will be comparable in all terms.
- C. Itawamba County School District will follow all EPL instructions.
- D. Itawamba County School District business administrator and purchasing agent will hold yearly training sessions for school/district secretaries and administrators to inform and remind of this action plan.
- E. Responsible party: Business Administrator, Jennifer Gray; Purchasing Agent, Belinda Dill
- F. The first of the yearly meetings was held on Jan. 28, 2022

Finding 12: The School District Should Ensure Compliance with State Law over Credit Card Purchases.

Response: The Itawamba County School District concurs with the finding relating to credit card purchases over the original amount. The district does not concur with the finding of the purchase over \$5,000. The second quote was just left off in the Account Payable paperwork.

Corrective Action Plan:

- A: For purchases greater or less than the original amount, a new copy of the purchase order is printed and signed by purchasing agent.
- B: Any invoices that are turned in over the \$5,000 amount are reviewed by purchasing agent and business administrator to ensure all paperwork is attached.
- C: Belinda Dill (purchasing agent) is responsible for the corrective action plan.
- D: Currently following this process to ensure compliance with state law.

Finding 13: The School District Should Ensure Compliance with State Law over the Purchase of School Buses.

Response: The Itawamba County School District concurs with the finding relating to the purchase of buses without proper approval paperwork.

Corrective Action Plan:

- A: Transportation director prepares form for purchase of bus.
- B: Board approves the purchase of bus.
- C: Transportation director sends form and evidence of board approval to MDE to get approval of bus purchase.

D: Belinda Dill (purchasing agent) and Debbie McMillen (transportation director) are responsible parties for the corrective action plan.

E: The district is currently following the state law on purchasing buses.

Finding 14: The School District Should Ensure Compliance with State Law over Merchant - Specific Credit Cards.

Response: The Itawamba County School District concurs with finding relating to the approval of merchant credit cards.

Corrective Action Plan:

A: Get board approval of merchant credit cards yearly for the upcoming school year and also when there is a change in board members.

B: Belinda Dill (purchasing agent) and Jennifer Gray (business administrator) are the responsible for the corrective action plan.

C: Will have all cards approved by board for the school year beginning July 1, 2023.

Finding 15: The School District Should Ensure Compliance with State Law over Ad Valorem Resolution.

Response: The Itawamba County School concurs with the finding on Ad Valorem Resolution.

Corrective Action Plan:

A: Business Administrator will prepare resolution for the Ad Valorem Tax.

B: Board will approve resolution before or by August 15th each year.

C: Business Administrator will deliver Ad Valorem worksheet along with Resolution to the County Administrator on or before August 15th each year

D: Jennifer Gray is responsible for the corrective action plan.

F: We put in place starting the 21/22 school year.

Finding 16: The School District Should Ensure Compliance with State Law over Ad Valorem Escrow.

Response: The Itawamba County School District concurs with the escrow finding. This issue was fixed during the 22/23 budgeting process when we had a shortfall. The district decreased the amount by the escrow.

Corrective Action Plan:

A: Shortfall or Escrow to be calculated at the end of each school year to determine if we have shortfall or escrow.

B: Jennifer Gray is the responsible for the corrective action plan.

C: Correction made during the 22/23 school year.

Finding 17: The School District Should Ensure Compliance with State Law over Approved Contracts, Obtaining and Maintaining Background Checks, and Maintenance of Personnel Files.

Response: The Itawamba County School District concurs with the finding relating to Personnel Files. The background check for one employee was either inadvertently not completed or it was misfiled. This employee has now completed the background check. We will be following the corrective action plan to ensure that contracts and personnel files are complete.

Corrective Action Plan:

A: Assistant Business Administrator (Payroll Clerk) will run background checks on employees and file in personnel file.

B: Once employee has completed all required paperwork, the payroll clerk will prepare contract if this is a certified position.

C: The Business Administrator will look over all contracts to ensure correct amount that was approved by board.

D: Robbin Reeder (Payroll Clerk) and Jennifer Gray (Business Administrator) are the responsible parties for the corrective action plan.

F: The district has started this plan.

Finding 18: The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

Response: The Itawamba County School District concurs with the Economic Interest finding. The district will be implementing procedures to ensure School Board Members file a statement annually, no later than May 1st deadline.

Corrective Action Plan:

A: Business Administrator and District Level Administrator will inform the school board members in March and April board meetings each year to ensure members file by May 1st deadline.

B: Chris Johnson and Jennifer Gray are the responsible parties for the action plan.

C: Board meetings March and April 2023 and subsequent years.

Finding 19: The School District Should Ensure Compliance with State Law over Gifts to District Employees.

Response: The Itawamba County School District concurs with the finding relating to gifts to employees. Communicated with Curriculum Director that only classroom supplies need to be given to employees.

Corrective Action Plan:

A: No employee gifts other than classroom supplies are to be given out to district employees.

B: Review purchases to ensure compliance with purchases for employees.

C: Yearly meeting with secretaries and all administrators that no employee gifts can be purchased other than classroom supplies.

D: Belinda Dill (purchasing agent) and Jennifer Gray (business manager) are responsible for the corrective action plan.

E: Communicated in meeting held January 28, 2022.

Finding 20: The School District Should Ensure Compliance with State Law over Free Admission to School - Sponsored Events and the Purchase of MHSAA State Passes.

Response: The Itawamba County School District concurs with parts of the finding relating to free admission. ICSD currently allows employees from our district to attend any event in our district free of charge with the understanding that attendance equates to being "on duty" at the event. This encourages better community and staff relations as well as increasing safety measures at district events. We do concur with finding concerning the issuance of MHSAA passes for the school board.

Corrective Action Plan:

A: The Itawamba County School District will write into board policy that any ICSD employees may enter a district event free of charge but will be considered "on duty" at the event. ICSD will ensure that staff spouses and family members pay admission at all district events just as everyone else attending the event.

B: Any District Principals and Directors who receive a MHSAA state pass will be considered "on duty" at any attended event

C: Board Members will reimburse the district for MHSAA state passes.

D: Superintendent, Trae Wiygu,I is responsible for the corrective action plan.

E: Will start with the 23/24 school year.

Finding 21: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Response: The Itawamba County School District concurs with the finding relating to reemployment of retired employees. We were emailing all the forms at once to PERS and they did not open all items attached to the email. We had one employee that the salary was omitted on form 4b due to that individual working for another PERS employer.

Corrective Action Plan:

A: Form 4B for PERS retiree's will be filled out timely

B: Form 4B will be emailed to PERS and a copy of email will be attached to hard copy of form 4B.

C: Robbin Reeder (payroll clerk) is the responsible person for the corrective action plan.

D: Currently following the corrective action plan.

Finding 22: The School District Should Ensure Compliance with State Law over Surety Bonds.

Response: The Itawamba County School District concurs with the surety bond findings.

Corrective Action Plan:

A: Principals bonded as purchasing agent along with their bond for being principal.

B: Business Administrator is bonded as purchasing agent.

C: ICSD will update board policy DJEA to reflect the definitions of purchasing agent and bonding rules for the district.

D: New bond for each person and not a continuation for that person

E: Business Administrator, Jennifer Gray, is responsible for the corrective action plan.

F: July 1, 2021: district principals were bonded as purchasing agents.

G: January 21, 2022: insurance carrier was notified of our new policy.

This concludes the Itawamba County School District's response to the State Auditor's findings.

Sincerely,



Trae Wiygul
Superintendent