

KOSCIUSKO 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

Kosciusko School District
229 W. Washington Street
Kosciusko, MS 39090

Dear Kosciusko School Board:

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

1. Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Board Minutes Requirements;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Deposits, Payments, Appraisals, Taxes, and Reporting;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Fuelman Purchases;
5. Ensure Compliance with State Law over Board Member Nepotism and Principal Ethics;
6. Ensure Compliance with State Law over the Approval of Depositories;
7. Ensure Compliance with State Law over Monthly Financial Reports;
8. Ensure Compliance with State Law over Purchasing and Payment of Invoices;
9. Ensure Compliance with State Law over Ad Valorem Requests, Advertisements, and Escrows;
10. Ensure Compliance with State Law over Travel Reimbursements;
11. Ensure Compliance with State Law over Statements of Economic Interest;
12. Ensure Compliance with State Law over Scholarships;
13. Ensure Compliance with State Law over Sixteenth Section Educable Child Lists and Shared Revenue;
14. Ensure Compliance with State Law over Forestry Escrow Fund;
15. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
16. 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 Kosciusko 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 Kosciusko 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 *significant deficiency*. These matters are noted under the heading **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**.

SIGNIFICANT DEFICIENCY

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

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

Finding Detail: During the testing of the School District's activity fund receipts, the auditors noted the following exceptions out of 21 tested:

- Four deposits were made four to eight business days after monies were received;
- Two count sheets did not list the beginning and ending ticket number; therefore, the auditors could not verify the number of tickets actually sold;
- There were no transmittals submitted to Central Office for two varsity games; and
- There was a net shortage, totaling **(\$14)**.

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

Recommendation: We recommend Kosciusko School District strengthen internal controls by implementing adequate policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: We will do a better job and make sure this documentation is represented in the future.

Repeat Finding: No.

OTHER DEFICIENCIES AND NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Board Minute Requirements.

Internal Control Deficiency: Management is responsible for ensuring the assets of the School District are safeguarded, and transactions are properly documented and recorded in the School District's board minutes. A critical aspect of internal controls includes numbering the Board minute pages.

Applicable State Law: *Section 37-6-9, Mississippi Code Annotated (1972)*, states, "...Minutes shall be kept of all meetings of the school board showing (a) the members present and absent; (b) the date, time and place of the meeting; (c) an accurate recording of any final actions taken at such meeting; (d) a record by individual member of any votes taken at such meeting; and (e) any other information that the school board requests to be reflected in the minutes. Each member of the school board present shall either vote or abstain on every question upon which a vote is taken at such meeting. All action taken by a school board shall become official at the time it is taken."

Section 37-61-9(2), Mississippi Code Annotated (1972), states, "In addition, on or before the fifteenth day of August of each year, the local school board of each school district, with the assistance of the superintendent of schools, shall prepare and file the State Department of Education such budgetary information as the State Board of Education may require. The State Board of Education shall prescribe and provide form to each school district for this purpose."

Accounting Manual for School Districts, Section E: Budgeting, Budget Formats, prescribed by the Mississippi Department of Education, states, "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 Board minutes, the auditor noted the following exceptions:

- The fiscal year 2021 original and amended budgets were not spread upon the Board's official minutes;
- The fiscal year 2021 financial reports were not spread upon the Board's official minutes; and
- The Board's official minutes were not bound and numbered in Board books.

Inadequate internal controls surrounding the District's Board minutes could result in the state law and regulations being circumvented. Additionally, failure to submit a complete set of financial statements to the Board and spreading them upon its minutes resulted in noncompliance with state law.

Recommendation: We recommend the Kosciusko School District strengthen internal controls and ensure compliance by implementing policies and procedures to ensure all minutes are in accordance with state law and regulations. Also, the School District should ensure an accurate and complete set of financial reports are submitted to the Board monthly and spread upon their official minutes.

District's Response: I will make sure that in the future these items will be presented and marked as exhibits so will be in board minutes.

Repeat Finding: No.

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

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, “The superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section lands; likewise, he shall keep a correct current docket upon the existing leases or any extensions thereof as to the amounts and time of payment of rentals provided for by such lease. It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. 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 29-3-65, Mississippi Code Annotated (1972), states, “One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the board of education shall appoint a competent appraiser to appraise the land and report to the board his recommendation for the fair market rental amount. The board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*.”

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 review of the School District’s sixteenth section leases, the auditors noted the following exceptions:

- Three lease payments were not made; however, the leases were not cancelled;
- Three lease payments were made more than 60 days late; however, the leases were not cancelled;
- Three lease payments were not deposited in a timely manner;
- Appraisals were not on file for 11 leases;
- One lease’s taxes was not current; however, the lease was not cancelled; and
- One lease was presented on the Secretary of State School Trust Land Report; however, the lease was not cancelled.

Failure to terminate lease agreements due to non-payments of rental payments, non-payment of taxes, and to appoint appraisers resulted in noncompliance with state law.

Recommendation: We recommend the Kosciusko School District strengthen internal controls and ensure compliance by assuring lease payments are made within 60 days, taxes are paid by February 1st, and an appraisal is appointed one year before the rental of sixteenth section land, as required by state law. Also, we recommend the School District ensure deposits are made timely.

District's Response: We contract out our 16th Section services. I will communicate these findings with our attorney and school board for future references.

Repeat Finding: No.

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

Internal Control Deficiency: Management is responsible for implementing proper internal controls surrounding the cash disbursement functions, maintaining and recording all credit card transactions into the general ledger.

Applicable State Law: *Mississippi Procurement Manual, Chapter 10, 10.112.04 Merchant Specific Credit Card Minimum Requirements*, prescribed by the Mississippi Department of Finance and Administration, states, "Upon receipt of the monthly statement, the cardholder shall review all charges to assure accuracy, complete applicable dispute documents, reconcile the statement with copies of receipts and order logs, and approve and sign the statement."

Finding Detail: During the testing of the School District's Fuelman card transactions, the auditors noted eight Fuelman purchases did not have receipts to match to its corresponding Fuelman statement; therefore, auditors could not verify the card numbers or if the transactions were completed by an authorized user.

Failure to reconcile receipts to the monthly statement could result in misappropriation of funds, fraud, and abuse of public funds.

Recommendation: We recommend the Kosciusko School District strengthen internal controls and ensure compliance by assuring to properly reconcile the District's Fuelman statements, as required by state regulations.

District's Response: I will reinforce that these receipts are turned in and accounted for in the future.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 5: The School District Should Ensure Compliance with State Law over Board Member Nepotism and Principal Ethics.

Applicable State Law: *Section 25-4-105(1), Mississippi Code Annotated (1972)*, states, "No public servant shall use his official position to obtain, or attempt to obtain, pecuniary benefit for himself other than that compensation provided for by law, or to obtain, or attempt to obtain, pecuniary benefit for any relative or any business with which he is associated."

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

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

Mississippi Ethics Opinion 10-067-E, states *Section 25-4-105(1), Mississippi Code of 1972*, no school district employee or official may use his or her position or attempt to obtain any monetary benefit for his or her “relative,” as that term is defined in *Section 25-4-103(q)*. Therefore, no Principal may not hire or supervise his or her spouse.

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 non-instructional 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 non-instructional 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 non-instructional employee employed under this authorization may not be paid compensation in excess of the statewide average compensation for such non-instructional position with comparable experience, as established by the State Department of Education.”

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

- One Board member did not recuse themselves from the vote when hiring their sister-in-law; and
- One Principal recommended the hiring of their mother.

Failure to have the Board member recuse themselves during the appointment of relatives within the first degree resulted in the violation of *Mississippi Ethics Opinion 10-067-E*. Also, failure to have the Principal not recommend nor supervise their parent resulted in the violation of *Mississippi Ethics Opinion 14-051-E*.

Recommendation: We recommend Kosciusko School District ensure compliance by assuring Board members and Principals recuse themselves during recommendation and the vote in the hiring of relatives. Also, we recommend Principals do not supervise relatives within the first the degree, as required by the state law and regulations. Both matters have been referred to the *Mississippi Ethics Commission*.

District’s Response: I will make sure in the future another principal recommends employee. Also, I will make sure the Board member recuses herself and any other employees that would be kin to another in the future.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over the Approval of Depositories.

Applicable State Law: *Section 27-105-315, Mississippi Code Annotated (1972)*, requires a qualified depository as a financial institution arrange for fund in interest-bearing accounts in one or more banks or savings in the United States, for the account of the public depositor.

Section 29-3-113, Mississippi Code Annotated (1972), states, “It shall be the duty of the Board of Education to keep the principal fund invested in any direct obligation issued by or guaranteed in full as to the principal and interest by the United States of America or in certificates of deposit issued by a qualified depository of the State of Mississippi as approved by the State Treasurer. The certificates of deposits may bear interest at any rate per annum which may be mutually agreed upon but in no case shall said rate be less than that paid on passbook savings.”

Section 37-7-333, Mississippi Code Annotated (1972), requires all public funds to be placed 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 1st 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 it can obtain a more favorable rate of interest and less administrative processing. These deposits shall place on deposit with the superintendent the same as securities as required in *Section 27-105-315*.

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

- On May 11, 2020, the Board approved the District's depository for The Citizens Bank but did not approve its depository The Citizens National Bank. This resulted in three of the District's bank accounts not being with a Board-approved depository in the amount totaling **\$2,680,918**; and
- On June 14, 2021, the Board approved Citizens National Bank and The Citizens Bank as its depositories for fiscal year 2022. The depositories were approved with non-interest bearing accounts; therefore, the sixteenth section principal funds are not able to collect interest, as required by state law.

Due to inadequate internal controls surrounding its depositories resulted in noncompliance with state law.

Recommendation: We recommend the Kosciusko School District ensure compliance over depository bids by properly accepting bids for depositories and ensuring all sixteenth section principal funds are within interest bearing accounts or certificates of deposits, as required by state law.

District's Response: I will make sure the wording for depository account always includes accept bids and then be specific so can keep accounts as is.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Monthly Financial Reports.

Applicable State Law: *Section 37-9-18(1)(a), Mississippi Code Annotated (1972)*, states, "The State Board of Education shall promulgate rules and regulations concerning the type of financial reports required to be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted."

Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board, states, "At minimum, the Superintendent should provide reconciled bank statements, a statement of revenues and expenditures, current budget status, a cash flow statement by month, and a combined balance sheet or current fund equity balances."

Mississippi Public School Accountability Standards, Process Standards 4.5, prescribed by the Mississippi Department of Education, states, "The most recent annual financial audit report of the school district, as conducted under the guidelines of the Office of the State Auditor, verifies the local school board has received, reviewed and discussed, as reflected in official minutes of the regularly scheduled monthly meeting, the financial reports required by state law and/or the State Board of Education. *Miss. Code Ann. § 37-9-18(1), § 37-37- 7(2)(e), § 37-37-13, Miss. Admin. Code 7-3: 71.3, State Board Policy Chapter 71, Rule 71.3.*"

Finding Detail: During the review of the School District's monthly financial reports, the auditors noted that the required complete set of monthly financial reports were not presented to the School Board for fiscal year 2021.

Failure to comply with the financial reporting requirements established by the State Board of Education resulted in noncompliance with state law and regulations. Additionally, presenting incomplete information to the Board could lead to

the School Board not being appropriately and timely informed of the District's financial status, which would influence decisions made by the Board concerning claims.

Recommendation: We recommend the Kosciusko School District ensure compliance by assuring a complete set of financial reports are submitted to the School Board monthly, as required by state law.

District's Response: I will make sure that these reports are submitted and do my best to get the financials done in a timely manner.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Purchasing and Payment of Invoices.

Applicable State Law: *Section 31-7-13(b) Mississippi Code Annotated (1972)*, states, "Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained ...The term "competitive written bid" shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor's letterhead or identifiable bid form and signed by authorized personnel representing the vendor. "Competitive" shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids. Any bid item for construction in excess of Five Thousand Dollars (\$5,000.00) shall be broken down by components to provide detail of component description and pricing. These details shall be submitted with the written bids and become part of the bid evaluation criteria. Bids may be submitted by facsimile, electronic mail or other generally accepted method of information distribution. Bids submitted by electronic transmission shall not require the signature of the vendor's representative unless required by agencies or governing authorities."

Section 31-7-13(c), Mississippi Code Annotated (1972), states that the District may purchase from the lowest and best bidder after advertising for two 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 invoice for amounts within authorized for a contract or purchase where the actual value of the contract or commodity purchased exceeds the authorized amount and the invoices therefor are split so to appear to be authorized as purchases for which competitive bids are not required."

Section 31-7-305(2), Mississippi Code Annotated (1972), states, "All public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks no later than forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods or services."

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

- Three invoices were paid more than 45 days after receipt;
- Two purchases' quotes were not comparable;
- The approval of one vendor purchase in excess of **\$50,000** was not spread upon the Board minutes;
- One contract for a consulting service was not approved by the School Board; and

- The Board approved an other than lowest bid; however, there was no justification spread upon the Board minutes.

Failure to follow purchase law could result in fraud or misappropriation of public monies.

Recommendation: We recommend the Kosciusko School District ensure compliance by all purchases are being followed and monitored to ensure they meet the requirements set by state law.

District's Response: I see that these are cases where awareness needs to be identified. I will go over these instances with the staff necessary and also watch for these myself.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Ad Valorem Requests, Advertisements, and Escrows.

Applicable State Law: *Section 27-39-207(2)(b), Mississippi Code Annotated (1972)*, states, "Except as provided for in subsection (1) of this section, if a school district is requesting an increase in ad valorem tax effort in dollars pursuant to *Sections 37-57-105 and 37-57-107*," it shall be written in the requisite form.

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."

Section 37-57-107, Mississippi Code Annotated (1972), states, "Taxes levied for school district purposes pursuant to *Sections 37-57-105 and 37-57-1* shall not exceed the aggregate receipts from those sources during any one (1) of the immediately preceding three (3) fiscal years."

Finding Detail: During the testing of the School District's ad valorem taxes, the auditors noted the District received more ad valorem taxes and homestead exemptions reimbursements than the amount allowed by state law. This excess is the result of the District not requesting ad valorem from the County, advertising the tax increase in the local newspaper without the proper wording, and receiving more tax revenue from the County than the District's base amount.

Due to the calculation resulting in a violation of *Section 37-57-107, Mississippi Code Annotated (1972)*, the excess collected during 2019-2020 and 2020-2021 year totaling **\$19,509**, should be restricted for one year.

Recommendation: We recommend the Kosciusko School District ensure compliance by implementing policies and procedures to ensure compliance with state law and escrow the excess noted totaling **\$19,509**.

District's Response: I will from now on use excess on ad valorem worksheet in the future. Along with making sure the wording in the ad is correct.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Travel Reimbursements.

Applicable State Law: *Section 25-3-41(1), Mississippi Code Annotated (1972)*, states, “Subject to the provisions of subsection (10) of this section, when any officer or employee of the State of Mississippi, or any department, agency or institution thereof, after first being duly authorized, is required to travel in the performance of his official duties, the officer or employee shall receive as expenses for each mile actually and necessarily traveled, when the travel is done by a privately owned automobile or other privately owned motor vehicle, the mileage reimbursement rate allowable to federal employees for the use of a privately owned vehicle while on official travel.”

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.”

Office of Purchasing, Travel and Fleet Management State Travel Policy and Regulations, Section 2 (103), prescribed by the Mississippi Department of Finance and Administration, states, “Travel reimbursement will be made for all taxes paid by the traveler; however, when expenses are billed directly to the governmental entity, taxes must not be charged or paid.”

Finding Detail: During the testing of the School District’s travel reimbursements, the auditors noted the following exceptions:

- Four travel vouchers did not have corroborating evidence; therefore, auditors could not verify the expenditure reimbursements;
- Four employees did not obtain prior approval from the School Board before attending conferences for professional development;
- One travel voucher was not approved by a Director or its equivalent for a two – day hotel stay; and
- One travel reimbursement for a hotel stay include state taxes, totaling \$22;

Recommendation: We recommend the Kosciusko School District ensure compliance by strengthening policies and procedures to assure all reimbursements for professional travel expenses are as required by state law and regulations.

District’s Response: We will communicate to staff and strengthen procedures with travel.

Repeat Finding: No.

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

Applicable State Law: *Section 25-4-25, Mississippi Code Annotated (1972)*, 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 all five Board members did not file a Statement of Economic Interest by May 1, 2021.

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

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

District's Response: This will be corrected in the future and will have a meeting with the Board to ensure this.

Repeat Finding: No.

Finding 12: The School District Should Ensure Compliance with State Law over Scholarships.

Applicable State Law: *Attorney General Opinion 1980 WL 28797*, states: "We are unable to find any authority whereby the school board could administer a scholarship fund."

Finding Detail: During the review of School District's bank accounts, the auditors noted that the Cadman Porter Scholarship Fund is maintained by the District. Per the *AG Opinion 1980 WL 28797*, there is no authority where the School District is approved to do so.

Recommendation: We recommend the Kosciusko School District ensure compliance with *AG Opinion 1980 WL 28797* by ensuring that it does not maintain scholarship funds.

District's Response: I was unaware that this scholarship account was tied to Kosciusko School District tax id number. This account will be closed due to this finding.

Repeat Finding: No.

Finding 13: The School District Should Ensure Compliance with State Law over Sixteenth Section Educable Child Lists and Shared Revenue.

Applicable State Law: *Section 29-3-119, Mississippi Code Annotated (1972)*, states, "The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the "custodial school district") shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district's pro rata share of the available township, as determined from the lists of children prepared pursuant to *Section 29-3-121, Mississippi Code Annotated (1972)*, promptly after collecting such funds."

Section 29-3-121, Mississippi Code Annotated (1972), states, "It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December

31 of each year and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year as provided by *Section 29-3-119, Mississippi Code Annotated (1972).*”

Finding Detail: During the review of the School District’s sixteenth section revenue, the auditors noted the following exceptions:

- The District failed to share **\$2,970** of sixteenth section revenue with neighboring school district, Attala School District; and
- The District did not complete their 2020 Educable Child List until March 05, 2021, instead of by December 31, 2020. Also, this list was missing three additional sections shared with Attala and Holmes County School Districts
 - 16-14N-5E,
 - 16-14N-8E, and
 - 16-15N-5E.

Failure to properly share sixteenth section revenue and maintain on file the District’s educable child list as the custodial school district could result in the misappropriation of public funds. Additionally, failure to file the educable child list with the custodial district could result in forfeiting funds that the District would otherwise be entitled to.

Recommendation: We recommend the Kosciusko School District ensure compliance by implementing adequate controls, policies and procedures to assure all revenue is shared with neighboring school districts annually. Also, the School District should ensure all educable child lists are accurately completed, maintained, and submitted to the custodial District, as required by state law.

District’s Response: This information will be provided in the future.

Repeat Finding: No.

Finding 14: The School District Should Ensure Compliance with State Law over Forestry Escrow Fund.

Applicable State Law: *Section 29-3-47, Mississippi Code Annotated (1972)*, states, “For its services the state forestry commission shall be entitled to receive its actual expenses incurred in the discharge of the duties herein imposed. In order to provide funds with which to pay for the general supervision and sale of forest products, fifteen percent (15%) of all receipts from the sales of forest products shall be placed by the board in a forestry escrow fund and reserved to pay for work performed by the state forestry commission. Such payments shall be equal to the actual expenses incurred by the commission as substantiated by itemized bills presented to the board.”

Finding Detail: During the testing of the School District’s forestry escrow, the auditors noted the District failed to deposit 15% of two timbers sales within its Forestry Escrow fund, totaling **\$16,159**.

Failure to deposit 15% of timber sales within the Forestry Escrow fund resulted in noncompliance with state law.

Recommendation: We recommend the Kosciusko School District ensure compliance by assuring 15% of all timber sales are deposited within the forestry escrow fund, as required by state law.

District’s Response: This was done in error. I will make sure that this is done correctly in the future. I coded the receipts and gave to the secretary to key in and this was keyed in incorrectly.

Repeat Finding: No.

Finding 15: 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.”

Board Regulation 34, Section 105, prescribed by the Public Employees Retirement System of Mississippi, 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 13 tested:

- Twelve Form 4Bs did not list the retirees’ fulltime days;
- Two retirees’ salaries were incorrectly calculated based on the required PERS percentage;
- One retiree was overpaid the salary allowed by PERS, totaling **\$223**;
- One Form 4B did not have evidence of a retirement date; and
- One Form 4B rehire date that was not accurately reported.

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 Kosciusko School District ensure compliance by properly paying employees, completing and submitting Form 4Bs to PERS, as required by state law and regulations.

District’s Response: We will strengthen our controls with retirees and make sure all is documented timely. The Business Manager will check behind payroll for accurate information.

Repeat Finding: No.

Finding 16: The School District Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *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 37-6-15, Mississippi Code Annotated (1972), states, “Before entering upon the discharge of the duties of his office, each member of the school board shall give a surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety, to be payable conditioned and approved in the manner provided by law. The school board may execute a blanket bond for each school district official and employee (including school business managers and any other employee who receipts and/or disburses school district funds) in the penalty of Fifty Thousand Dollars (\$50,000), unless a different penalty is prescribed by statute, to be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund.”

Section 37-9-27, Mississippi Code Annotated (1972) states, “The superintendent of any school district, before entering upon the duties of his office, shall furnish a good and sufficient surety bond in the penal sum of One Hundred Thousand Dollars (\$100,000.00), with sufficient surety...”

Section 37-9-31, Mississippi Code Annotated (1972), states, “All school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000), with sufficient surety.”

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

- Bonds were not filed in the Chancery Clerk’s office until October 14, 2020 for the following:
 - Four Board members; and
 - Superintendent
- One Board member’s bond was not filed with the Chancery Clerk’s office until five months after appointment; and
- One Principal was not bonded until three months after the Board approved their hire.

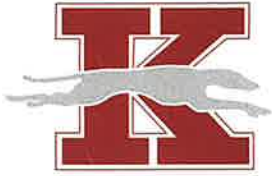
Failure to ensure employees are correctly and sufficiently bonded could result in the loss of public funds. Also, failure to file all bonds promptly in the Chancery Clerk’s office resulted in noncompliance with state law and regulations.

Recommendation: We recommend the Kosciusko School District ensure compliance by securing new bonds for all employees, as required by state law. Also, the Board should ensure all bonds for employees and officials are filed with the Chancery Clerk’s office.

District’s Response: I will do a better job of making sure these are filed timely.

Repeat Finding: No.

End of Report



KOSCIUSKO SCHOOL DISTRICT

229 West Washington St. • Kosciusko, MS 39090
Office: 662-289-4771 • Cell: 662-418-2181 • zach.bost@kosciuskoschools.com

Dr. Zach Bost
Superintendent

COMPLIANCE REVIEW FINDINGS

March 3, 2023

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

Dear Mr. White,

Kosciusko School District takes each and every one of these responsibilities serious. We have taken action in our findings and ensure the recommendations are followed as suggested by your office. Please see our response below for explanations.

AUDIT FINDINGS

Response: Each finding for Kosciusko School District was responded with a Corrective Action Plan that we would ensure and follow for our district.

Finding 1: Strengthen Internal Controls over Activity Fund Cash Receipts and Deposits

Corrective Action Plan:

- A. Meetings were conducted to ensure deposits were taken within the time allowed along with ensuring sheets tickets sheets were accounted for. Also, for the shortage of monies taken up at athletic gate. This issue was addressed with our principals to relay to certified staff that is taking up monies at events.
- B. Sandy McBride- Kosciusko School District Business Manager
- C. These corrections were made in October and November of 2021 when findings were given to Business Manager plus as of the 22-23 school year we are now cashless

Finding 2: Strengthen Internal Controls and Ensure Compliance with State Law over Board Minute Requirements

Corrective Action Plan:

- A. Budget amendments will be spread among the minutes in each budget approval or amendments. Board secretary was informed of the school board minutes having to have pages numbered. Board minutes will from now on have page numbers to ensure accuracy
- B. Sandy McBride- Kosciusko School District Business Manager
- C. November board meeting of 2021 and continuing

Finding 3: Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Deposits, Payments, Appraisals, Taxes, and Reporting

Corrective Action Plan:

- A. Our Sixteenth Section is contracted out with an attorney and these findings are reported each year to him but our school board continues to employ this attorney
- B. Doug Crosby- School Board Attorney
- C. November 2021

Finding 4: Strengthen Internal Controls and Ensure Compliance with State Law over Fuelman Purchases

Corrective Action Plan:

- A. Meetings were held with staff that has fuelman cards to ensure receipts are turned in weekly for documentation of fuel purchases
- B. Sandy McBride- Kosciusko School District Business Manager
- C. December 2021 and continuing

Finding 5: Ensure Compliance with State Law over Board Nepotism and Principal Ethics

Corrective Action Plan:

- A. Board members were spoken to about making sure they step out when family is hired along with our principal was informed that she could not recommend her parent for hiring
- B. Sandy McBride- Kosciusko School District Business Manager

C. May 2022 and continuing

Finding 6: Ensure Compliance with State Law over the Approval of Depositories

Corrective Action Plan:

- A. All depositories that bid on our accounts will be approved in the future to justify keeping funds with local banks where accounts are held
- B. Sandy McBride- Business Manager
- C. April 2022 and continuing

Finding 7: Ensure Compliance with State Law over Monthly Financial Reports

Corrective Action Plan:

- A. All financial reports are presented to our school board monthly since this was brought to my attention that I failed to give one report
- B. Sandy McBride - Kosciusko School District Business Manager
- C. December 2021and continuing

Finding 8: Compliance with State Law over Purchasing and Payment of Invoices

Corrective Action Plan:

- A. Meetings were held with necessary staff concerning these issues with purchasing and shown where these mistakes were made to ensure accuracy for the next time
- B. Sandy McBride- Kosciusko School District Business Manager
- C. December 2021and continuing

Finding 9: Ensure Compliance with State Law over Ad Valorem Requests, Advertisements, and Escrows

Corrective Action Plan:

- A. Proper wording for advertising tax increase was changed to correct this mistake along with ad valorem worksheet figures used for request of monies

- B. Sandy McBride- Kosciusko School District Business Manager
- C. May 2022 next advertisement done since state audit and continuing

Finding 10: Ensure Compliance with State Law over Travel Reimbursements

Corrective Action Plan:

- A. Meetings were held along with emails sent to staff about travel reimbursement and having approved by school board along with the importance of state tax
- B. Sandy McBride- Kosciusko School District Business Manager
- C. December 2021and continuing

Finding 11: Ensure Compliance with State Law over Statements over Economic Interest

Corrective Action Plan:

- A. Communication was held with each board member about the importance of this being filed yearly
- B. Local School Board Members
- C. November 2021and continuing

Finding 12: Ensure Compliance with State Law over Scholarships

Corrective Action Plan:

- A. The bank account that this scholarship was tied to has now been dissolved and closed due to unawareness of this account using our tax id number
- B. Sandy McBride- Kosciusko School District Business Manager
- C. November 2021and continuing

Finding 13: Ensure Compliance with State Law over Sixteenth Section Educable Child Lists and Shared Revenue

Corrective Action Plan:

A. The importance of accuracy with our Township and Range reports have been shared with each secretary who provides this information to myself and all sections shared with Attala County and Holmes County will be accounted for in the future.

B. Sandy McBride- Kosciusko School District Business Manager

C. October 2022 next school year after audit and continuing

Finding 14: Ensure Compliance with State Law over Forestry Escrow Fund

Corrective Action Plan:

A. Accuracy to make sure when recording revenue that we record 35% to escrow for timber sales

B. Sandy McBride- Kosciusko School District Business Manager

C. December 2021 and continuing

Finding 15: Ensure Compliance with State Law over Reemployment of Retired Public Employees

Corrective Action Plan:

A. Communication was held with Payroll clerk to notify of the discrepancies and show how changes needed to be in the future to ensure retirees

B. Beth Kyle- Kosciusko School District Payroll Clerk

C. December 2021 and continuing

Finding 16: Ensure Compliance with State Law over Surety Bonds

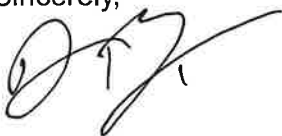
Corrective Action Plan:

A. Bonds will be turned in each year to show yearly dates in the month of July along with minute book documentation to show dates for accuracy

B. Sandy McBride- Kosciusko School District Business Manager

C. December 2021 and continuing

Sincerely,

A handwritten signature in black ink, appearing to read 'Zach Bost', with a stylized flourish at the end.

Dr. Zach Bost
Superintendent of Education