

# LELAND SCHOOL DISTRICT MISSISSIPPI

## COMPLIANCE REPORT

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

**SHAD WHITE, CFE**  
State Auditor

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

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Director, *Compliance Audit Division*



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

March 21, 2023

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

Leland School District  
408 East 4<sup>th</sup> Street  
Leland, Mississippi 38756

Members of the Leland School Board:

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

1. Strengthen Internal Controls over Financial Statement Reporting of Investments;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Board Minutes;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Deposits, Lease Payments, Reporting, and Lease Agreement Renewals;
5. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
6. Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliation;
7. Ensure Compliance with State Law over the Presentation and Approval of Monthly Financial Reports;
8. Ensure Compliance with State Law over the Approval of Depositories;
9. Ensure Compliance with State Law over Public Depositor's Annual Report;
10. Ensure Compliance with State Law over Purchasing Laws;
11. Ensure Compliance with State Law over Merchant – Specific Credit Cards and Credit Card Usage;
12. Ensure Compliance with State Law over the Superintendent's Recommendation and Supervision of Relatives;
13. Ensure Compliance with State Law over the Principal's Recommendation and Supervision of Relatives;
14. Ensure Compliance with State Law over it Ad Valorem Advertisement and Escrows;
15. Ensure Compliance with State Law over Obtaining and Maintaining Background Checks, Educator Certifications, and Board Approved Contracts in Personnel Files;
16. Ensure Compliance with State Law over Unemployment Compensation Fund;
17. Ensure Compliance with State Law over Filing Statements of Economic Interest;
18. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
19. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by April 4, 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 **Leland School District** to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive, flowing style.

STEPHANIE PALMERTREE, CPA, CFE, 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 **Leland 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 a certain deficiency in internal control over financial reporting that we consider to be a *material weakness* in internal control. This matter is noted under the heading **MATERIAL WEAKNESS**. We also noted certain deficiencies in controls that we noted under the heading **OTHER DEFICIENCIES**.

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

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## **MATERIAL WEAKNESS**

**Finding 1:** The School District Should Strengthen Internal Controls over Financial Statement Reporting.

**Internal Control Deficiency:** Management is responsible for the preparation and fair presentation of the District's financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**Finding Detail:** During the review of the School District's investments, the auditor noted the QSCB Debt Repay Fund (Fund 4092) was understated in the 2021 financial statements in the amount totaling **\$139,367**.

Inadequate internal controls surrounding the preparation and fair presentation of the District's financial statements and failure to properly record all investment transactions resulted in the misstatement of the investment fund balance.

**Recommendation:** We recommend the Leland School District strengthen internal controls by implementing adequate procedures to ensure the proper preparation of its financial statements.

**District's Response:** The Leland School District will maintain the General Long Term Debt Fund going forward to properly report the Debt Service Investment Fund balances.

**Repeat Finding:** No.

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## OTHER DEFICIENCY AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 2:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over the 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 superintendents of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund. Furthermore, it shall be unlawful for any contract to be entered into or any obligation incurred or expenditure made in excess of the resources available for such fiscal year...”

*Section 37-61-9(3), Mississippi Code Annotated (1972)*, states, “After final adoption of the budget, a synopsis of such budget in a form prescribed by the State Department of Audit shall be published in a newspaper having general circulation in the school district on a date different from the date on which the county or any municipality therein may publish its budget.”

*Accounting Manual for School Districts*, 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 budgets for fiscal year 2021, the auditor noted the following exceptions:

- On June 25, 2020, the Board approved the original budget which included the following four funds reflecting a negative fund balance at year-end:
  - School Recognition Fund (2020) – **(\$1,618)**;
  - Summer Feeding Fund (2128) – **(\$369)**;
  - IDEA Part B PL 94-142 Fund (2610) – **(\$45,489)**;
  - Pre-School Fund (2620) – **(\$9,398)**
- The approval of the original and amended budgets were not reflected within the District’s Board minutes;
- The actual expenditures for the following two funds exceeded the budgeted expenditures in the amount totaling **\$38,365**:
  - Fund 2090 (Extended School Year);
  - Fund 2820 (Unemployment Compensation Revolving); and
- The District failed to publish the synopsis of its original budget.

Failure to ensure there are available resources for all expenditures could result in deficit fund balances. Also, failure to reflect the approved original and amended budgets, combined and combining, within its Board minutes resulted in noncompliance with the *Accounting Manual for School Districts*.

Failure to publish the year-end budget synopsis resulted in noncompliance with state law. The approval a budget with negative fund balances could result in actual fund balances being negative; however, in this case, the actual fund balances at June 30, 2021 were not negative.

**Recommendation:** We recommend the Leland School District strengthen internal controls and ensure compliance by implementing adequate procedures to assure all funds have available resources before expenditures are approved and the

original budget synopsis is published, 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:** The Leland School District has established a monthly check-list where the Superintendent and Business Manager will review all financial reports prior to submitting them to the School Board Members. This will ensure no expenditures exceed budgeted amounts and eliminate negative fund balances being reported. The District will also publish a synopsis if the Original Budget after Board approval.

**Repeat Finding:** No.

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**Finding 3:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Board Minutes.

**Internal Control Deficiency:** Management is responsible for ensuring the assets of the School District are safeguarded, and transactions are properly documented and recorded in the School District's board minutes. 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 37-45-(15), Mississippi Code Annotated (1972)*, states, "The commission shall keep full, complete, and permanent minutes and records of all its proceedings, including the rules and regulations adopted by it, and said minutes shall be signed by the chairman, or vice-chairman, and attested by the secretary. All minutes of the commission shall be signed and approved not later than the close of the next regular meeting."

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

- The pages of the official Board minutes were not numbered; and
- Two Board order dates were not in chronological order.

Inadequate internal controls surrounding the District's Board minutes could result in the state laws and regulations being circumvented.

**Recommendation:** We recommend the Leland School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to assure all minutes are as required by state law.

**District's Response:** The School District has strengthened internal controls to ensure all pages in the District's Official Board Minutes are numbered and maintained in chronological order. The District will also ensure all financial reports, bid proposals, and supplementary documents are included in the District's Official Board Minutes Binder.

**Repeat Finding:** No.

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**Finding 4:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Deposits, Lease Payments, Reporting, and Lease Agreement Renewals.

**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 be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft

**Applicable State Law:** *Section 29-1-3, Mississippi Code Annotated (1972)*, states, “Any state, county or municipal official shall supply annually to the state land commissioner such sixteenth section management information as shall be requested by the commissioner. Such information shall include, but not be limited to, the following items pertaining to all new leases, rights of way, easements and sales of school trust lands: the number of acres in each parcel; the consideration paid for each transaction; the length and expiration of each lease, easement, or right of way; and the use to be made of each parcel...”

*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 29-3-81(1), Mississippi Code Annotated (1972)*, “All other sixteenth section or lieu lands classified as agricultural may be leased for a term not exceeding five (5) years. All leases of land classified as agricultural shall be for a term to expire on December 31. Except in those cases when the holder of an existing lease on agricultural land elects to re-lease such land, as authorized under this subsection, it shall be the duty of the board of education to lease the sixteenth section or lieu lands at public contract after having advertised such lands for rent in a newspaper published in the county or, if no newspaper is published in the county, then in a newspaper having a general circulation therein, for two (2) successive weeks, the first being at least ten (10) days before the public contract. The lease form and the terms so prescribed shall be on file and available for inspection in the office of the superintendent from and after the public notice by advertisement and until finally accepted by the board.”

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

- Seven agricultural land leases were not advertised for rent;
- Five deposits were not made until 11 to 28 days after being receipted;
- Three lease agreements were not documented on the Secretary of State’s School Trust Land report. One of which failed to make payments on a lease contract for 20 years and the lease was not terminated;
- Two lease payments were more than 60 days late; however, the leases were not terminated; and
- One lease agreement where a full lease payment was not received by lessee; however, the lease was not terminated;

**Recommendation:** We recommend the Leland School District strengthen internal controls and ensure compliance by implementing adequate procedures to assure full lease payments are made within 60 days, leases in default are cancelled, and that all deposits are made timely after receipt. Also, the School District should ensure the annual Sixteenth Section School Trust Land Report submitted to the Secretary of State is accurate and to appropriately advertise its agriculture land leases for rent.

**District’s Response:** The Leland School District will ensure the District’s Annual 16<sup>th</sup> Section School Trust Land Report is completed and filed according to *Mississippi Code Section 29-1-3*. The Leland School District will also ensure deposits are made timely and report and lease payments not made within 60 days.



**Repeat Finding:** No.

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**Finding 5:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements.

**Internal Control Deficiency:** Management is responsible for insuring that all travel reimbursements expenditures are correctly recorded, allowed, and documented, as required by the *Department of Finance and Administration*. Proper internal controls would include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms. Proper internal controls would include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms.

**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.”

*Section 27-65-105, Mississippi Code Annotated (1972)*, states, “The exemption from the provisions of this chapter which are of a governmental nature or which are more properly classified as governmental exemptions than any other exemption classification of this chapter shall be confined to those persons or property exempted by this section or by provisions of the Constitutions of the United States or the State of Mississippi. No governmental exemption as now provided by any other section shall be valid as against the tax herein levied. Any subsequent governmental exemption from the tax levied hereunder shall be provided by amendment to this section. No exemption provided in this section shall apply to taxes levied by *Section 27-65-15* or *27-65-21, Mississippi Code of 1972*, except as provided by paragraph (f) of this section. The tax levied by this chapter shall not apply to the following... (b) Sales to schools, when such schools are supported wholly or in part by funds provided by the State of Mississippi, provided that this exemption does not apply to sales of property which is not to be used in the ordinary operation of the school, or which is to be resold to the students or the public.

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

- Nine travel vouchers were not properly approved prior to the travel:
  - Seven vouchers did not have documentation to show prior approval was given
  - One voucher was not dated approved; and
  - One voucher was not dated nor signed for approval
- Seven meal reimbursements were not reimbursed for actual meal expenses;
- Four travel vouchers did not have documentation returned from the travel to conferences;
- Four travel reimbursements were paid to the employee prior to the travel and no monies were returned to the District that were in excess of actual meal expenses;
- Two mileage reimbursements were reimbursed at the incorrect amount;

- Two travel requests where taxes were paid on hotel stays; and
- One reimbursement where the purchase of items for a gift was coded as travel, which is not an allowable purchase.

Failure to have adequate controls surrounding the District's reimbursements could result in waste, fraud, and abuse of public funds.

**Recommendation:** We recommend the Leland School District strengthen internal controls and ensure compliance by implementing adequate procedures to assure that the expense reimbursements comply with state law.

**District's Response:** The Leland School District has implemented procedures to ensure all travel procurement packs contain an approved leave request form, a completed travel voucher, a meeting agenda, and if applicable a hotel receipt showing a zero balance, mileage and meal reimbursements will be based on rates established by the Mississippi Department of Finance and Administration for each school year.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**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:** *Mississippi Department of Education Policy Manual, Chapter 71, Rule 71.3, "Required Monthly Reports to be Furnished to Local School Board,"* states, "...Presentation of reconciled bank statements should be made at the next regular board meeting after the bank statements are reconciled to the District's general ledger cash balances in a timely and accurate manner."

**Finding Detail:** During the testing of the School District's bank reconciliations, the auditor noted five bank accounts were not properly reconciled to the District's general ledgers' cash balance, totaling **(\$346,223)**.

- 16<sup>th</sup> Section Interest - **(\$6,000)**
- Activity Fund - **(\$191)**
- Cafeteria Fund - **\$14,088**
- District Maintenance - **(\$161)**
- Payroll Clearing Fund - **(\$353,959)**

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

**Recommendation:** We recommend the Leland School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure all bank statements are reconciled timely and properly to the District's general ledger. Also, the 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:** The Leland School District will ensure journal entries are made at the end of each month during the bank reconciliation process to ensure timely and accurate reporting of balances by fund. The end of year payroll accruals will be made as of June 30<sup>th</sup> and reversed by July 30<sup>th</sup> to ensure accurate reporting of the payroll balances.

**Repeat Finding:** No.

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**Finding 7:** The School District Should Ensure Compliance with State Law over the Presentation and Approval of Financial Reports.

**Applicable State Law:** *Section 37-9-18, Mississippi Code Annotated (1972)*, requires all financial reports be submitted to the local school board. According to the board's policy, financial reports that shall be submitted to the Board includes reconciled bank statements, statement of revenues and expenditures, current budget status, monthly cash-flows, and combined balance sheet or current fund equity balances at each regular monthly school board meeting. A copy of all required financial reports shall be included in the official minutes of the board meeting at which the reports were discussed.

*Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board* states that, "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."

**Finding Detail:** During the review of the School District's Board minutes, the auditor noted a complete set of financial reports and bank reconciliations were not presented to the School Board and spread upon the Board minutes for fiscal year 2021.

Failure to submit a complete set of financial reports to the School Board monthly could result in the loss or misappropriation of public funds and resulted in noncompliance with state law.

**Recommendation:** We recommend the Leland School District ensure compliance by assuring a complete set of financial reports are submitted and spread upon its official Board minutes monthly, as required by state law.

**District's Response:** The Leland School District will ensure all monthly financial reports are properly labeled and submitted to the School Board monthly. All documents presented at the School Board Meeting will be included in the District's Official Board Minutes Binders maintained in the Central Office.

**Repeat Finding:** No.

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**Finding 8:** The School District Should Ensure Compliance with State Law over the Approval of Depositories.

**Applicable State Law:** *Section 37-7-333, Mississippi Code Annotated (1972)*, requires all public funds to be place in the depository or depositories selected by the School Board in the same manner as provided in *Section 27-105-305, Mississippi Code Annotated (1972)* for the selection of county depositories. *Section 37-7-333, Mississippi Code Annotated (1972)*, also requires the bids of the financial institutions keeping school funds be effective on July 1<sup>st</sup> of each year. Further, School Boards are allowed to advertise and accept bids for depositories, not less than once every three (3) years, when the School Board determines that I can obtain a more favorable rate of interest and less administrative processing.

**Finding Detail:** During the review of the School District's depository bids, the auditor noted that the School Board approved its depository; however, the bid proposals and supplementary documents were not included within the District's Board minutes.

Due to inadequate internal controls surrounding its depositories, the District is in noncompliance with state law.

**Recommendation:** We recommend Leland School District ensure compliance by properly presenting bid proposals for depositories to the School Board and including all bid proposals in the District's Board minutes, as required by state law.

**District's Response:** The Leland School District will ensure all bid proposals and supplementary documents are included in the District's Official Board Minutes Binder to ensure compliance with State law.

**Repeat Finding:** No.

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**Finding 9:** The School District Should Ensure Compliance with State Law over Public Depositor's Annual Report.

**Applicable State Law:** *Section 27-105-5(6)(b), Mississippi Code Annotated (1972)*, states, "Not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end."

**Finding Detail:** During the review of the School District's depositories, the auditor noted the District filed its Public Depositors Annual Report for fiscal year 2021 on January 06, 2021, which is subsequent to the deadline of 30 days after June 30, 2021.

Failure to submit the Public Depositor Annual Report within 30 days of fiscal year end could result in the State Treasurer's Office having inaccurate records and increase the risk that the District's total deposits may not be properly collateralized. Also, failure to submit the report timely resulted in noncompliance with state law.

**Recommendation:** We recommend the Leland School District ensure compliance by developing controls to ensure the Public Depositor Annual Report is submitted to the State Treasurer's Office within 30 days of fiscal year end, as required by state law.

**District's Response:** The Leland School District will ensure the Public Depositor's Annual Report is submitted prior to July 30<sup>th</sup>.

**Repeat Finding:** No.

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**Finding 10:** The School District Should Ensure Compliance with State Law over Purchasing Procedures.

**Applicable State Law:** *Section 31-5-51(1), Mississippi Code Annotated (1972)*, states, "Any person entering into a formal contract with the state or any county, city or political subdivision thereof, or other public authority for the construction, alteration, or repair of any public building or public work, before entering into such contract, shall furnish to such public body, except as provided in subsection (5) of this section, bonds with good and sufficient surety as follows:

(a) A performance bond payable to, in favor of or for the protection of such public body, as owner, for the work to be done in an amount not less than the amount of the contract, conditioned for the full and faithful performance of the contract;

*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."

*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(d)(i), Mississippi Code Annotated (1972)*, states, "...If any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid..."

*Section 37-9-18(3)(b), Mississippi Code Annotated (1972)*, states, "When conducting an audit of public school district, the State Auditor shall test to insure correct and appropriate coding at the function level."

*Section 43-37-3(1)(b), Mississippi Code Annotated (1972)*, states "Real property shall be appraised before the initiation of negotiations, except that the acquiring person, agency or other entity may adopt a procedure in compliance with federal regulations to waive the appraisal in cases involving the acquisition by sale or donation of property with a low fair market value. For the purposes of this chapter, property with a low fair market value is property with a fair market value of Ten Thousand Dollars (\$10,000.00) or less. The owner or his designated representative shall be given an opportunity to accompany the appraiser during his inspection of the property."

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

- Five purchases did not have evidence of Board approval, totaling **\$198,373**;
- Five purchases where expenditures were incorrectly coded at the function level;
- Two purchases over \$5,000 but not over \$50,000 did not have two quotes obtained, totaling **\$14,667**;
- Two purchases over \$50,000 were not properly advertised by obtaining competitive sealed bids, totaling **\$154,690**;
- Two purchases for construction services where a performance bond, payment bond, and cash bond were not obtained from the vendor, totaling **\$346,023**;
- Three purchases that were other than the lowest bid were accepted without the proper justification of the purchases spread upon the Board minutes, totaling **\$446,839**;
- One purchase where an appraisal was not obtained for the purchase of building, totaling **\$146,894**; and
- One purchase where a second quote was received after the purchase order date.

Failure to follow purchasing law could result in fraud or misappropriation of public monies and resulted in noncompliance with state law.

**Recommendation:** We recommend the Leland School District ensure compliance by implementing adequate procedures to assure purchase laws are being followed and monitored.

**District's Response:** The Leland School District will strengthen its internal controls to ensure all purchases totaling \$5,000 and greater have the proper quotes or are properly advertised for bid. The School District will also ensure the appropriate bonds are secured prior to start of any construction project within the District. All purchases made by the Leland School District were approved by the Leland School Board. The School District will ensure all documentation of Board approved items are maintained in the official Board minutes binder that is kept in the Central Office. Additional staff training will be provided to ensure proper coding of expenditures and improve knowledge of the Mississippi Purchasing Laws.

**Repeat Finding:** Yes.

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**Finding 11:** The School District Should Ensure Compliance with State Law over Merchant – Specific Credit Cards, Membership Cards, and Credit Card Usage.

**Applicable State Law:** *Section 27-65-105, Mississippi Code Annotated (1972)*, states, “The exemption from the provisions of this chapter which are of a governmental nature or which are more properly classified as governmental exemptions than any other exemption classification of this chapter shall be confined to those persons or property exempted by this section or by provisions of the Constitutions of the United States or the State of Mississippi. No governmental exemption as now provided by any other section shall be valid as against the tax herein levied. Any subsequent governmental exemption from the tax levied hereunder shall be provided by amendment to this section. No exemption provided in this section shall apply to taxes levied by *Section 27-65-15* or *27-65-21, Mississippi Code of 1972*, except as provided by paragraph (f) of this section. The tax levied by this chapter shall not apply to the following... (b) Sales to schools, when such schools are supported wholly or in part by funds provided by the State of Mississippi, provided that this exemption does not apply to sales of property which is not to be used in the ordinary operation of the school, or which is to be resold to the students or the public.

*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 testing of the School District’s credit cards, the auditor noted the following exceptions:

- Ten vendor purchases did not have evidence of charge slips;
- One vendor purchase did not have the signature or approval on the purchasing documents;
- State Taxes were paid on a vendor purchase for two backpacks; and
- The Board did not approve nor justify the use of its merchant – specific credit card and spread it upon the Board minutes.

Failure to have adequate controls surrounding the District’s procurement card purchases could result in waste, fraud, and abuse of public funds and resulted in noncompliance with state law and regulations.

**Recommendation:** We recommend Leland School District ensure compliance by implementing adequate policies and procedures to strengthen controls concerning its credit card usage and ensure that the use of its merchant – specific credit cards is approved by the Board and the justification of its use is spread upon the minutes, as required by state law.

**District’s Response:** The Leland School District has established Credit Card Policy (DJI) and will ensure proper internal controls are in place to document the use of the credit card after an authorized purchase order number has been assigned.

**Repeat Finding:** No.

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**Finding 12:** The School District Should Ensure Compliance with State Law over the Superintendent’s Recommendation and Supervision of Relatives.

**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.”

*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*, requires the school board designate someone other than the Superintendent to make the employment recommendation of relatives defined in *Section 25-4-103(q)*. However, the superintendent’s spouse may not be employed under the authority of the School District central office.

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

- The Superintendent recommended their spouse as an Interventionist Coach for the School District. This position is directly supervised by the Federal Programs Director, a Central Office employee. Due to this, the position of Interventionist Coach is considered a Central Office position and under the supervision of the Superintendent; and
- The Superintendent recommended three of their children for rehire for the following positions: one Principal and two certified teachers.

The Superintendent’s failure to recuse or utilize the step-aside in the rehire of relatives resulted in a violation of state law. Also, due to the Superintendent’s spouse being considered a Central Office employee, the Superintendent supervises his spouse which is a violation of *Mississippi Ethics Opinion 10-077-E*.

**Recommendation:** We recommend the Leland School District ensure compliance by assuring the Superintendent recuses himself during the recommendation of relatives. Also, the School Board should ensure the spouse of the Superintendent is eligible for the position approved by the Board. This matter has been referred to the Mississippi Ethics Commission.

**District’s Response:** The Leland School District Board and Superintendent will ensure going forward that the step-a-side and recusal of the Superintendent when relatives are recommended for employment. The Board will realign the position of the Interventionist Coach to the school level and reporting to the building principal in the April 2022 Board Meeting. The District will appoint the Federal Programs Director to make employment recommendations to the Board when relatives of the Superintendent are being considered for employment in the District going forward. Returning employees of the Leland School District will be recommended in the April 2022 Board Meeting by the Federal Programs Director.

**Repeat Finding:** No.

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**Finding 13:** The School District Should Ensure Compliance with State Law over Principal’s Recommendation and Supervision of Relatives.

**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.”

*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 21-033-E*, provides that a “step-aside provision allowing the school board’s designee to recommend the principal’s relatives, a violation of *Section 25-4-105(1)* is virtually inevitable when one relatives directly supervises another relative and creates an appearance of impropriety in conflict with *Section 25-4-101*.

**Finding Detail:** During the review of the School District’s related party questionnaires, the auditor noted that one Principal recommended and supervised their sibling as a certified teacher within the same school.

Failure to ensure Principals do not recommend or supervise relatives within the first degree resulted in the violation of *Mississippi Ethics Opinions 21-033-E* and *Mississippi Code Sections 25-4-105(1) and 37-9-17(1)*.

**Recommendation:** We recommend the Leland School District ensure compliance by assuring all employees in management positions do not recommend or supervise their relatives, as required by state law and regulations. This matter has been to the Mississippi Ethics Commission.

**District’s Response:** The Leland School Board will ensure compliance with principals and supervising a sibling. The District will relocate the sibling back to the high school campus as coded in the 2020-2021 school year. The 2022-2023 school year, the sibling in the recommendation will not be on the same campus.

**Repeat Finding:** No.

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**Finding 14:** The School District Ensure Compliance with State Law over its Ad Valorem Advertisement and Escrows.

**Applicable State Law:** *Section 27-39-207(2)(a), Mississippi Code Annotated (1972)*, states, “The school board of the school district shall advertise its intent to increase its ad valorem tax effort in dollars in a newspaper of general circulation in the county. The advertisement shall be no less than one-fourth (¼) page in size and the type used shall be no smaller than eighteen (18) point and surrounded by a one-fourth-inch solid black border. The advertisement shall not be placed in any portion of the newspaper where legal notices and classified advertisements appear.”

*Section 27-39-207(2)(b), Mississippi Code Annotated (1972)*, provides that 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 37-57-105(3), Mississippi Code Annotated (1972)*, states, “The aggregate receipts from ad valorem taxes levied for school district purposes, excluding collection fees, pursuant to this section and *Section 37-57-1* shall be subject to the increased limitation under *Section 37-57-107*; however, if the ad valorem tax effort in dollars requested by the school district for the fiscal year exceeds the next preceding fiscal year’s ad valorem tax effort in dollars by more than four percent (4%) but not more than seven percent (7%), then the school board shall publish notice thereof once each week for at least three



(3) consecutive weeks in a newspaper having general circulation in the school district involved, with the first publication thereof to be made not less than fifteen (15) days prior to the final adoption of the budget 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 advertisement, the auditor noted the following exceptions:

- The District’s advertisement for its “Notice of Proposed Ad Valorem Tax Effort” was less than one-fourth page in size, the solid black border was not one-fourth-inch solid black border, font was not 18 point, and additional language was included that is not part of state requirement;
- There was a **\$7,201.95** discrepancy between the ad valorem tax increase advertisement and the amount requested by the School Board;
- The District requested a 7% increase from the County; however, the advertisement was published and ran within the local for two weeks; and
- The District received more ad valorem taxes and homestead exemptions reimbursements than the amount allowed by *37-57-107, Mississippi Code Annotated (1972)*. This is the result of the District not properly advertising the tax increase in the local newspaper and receiving more tax revenue from the County than the District’s allowable amount.

Failure to properly advertise the ad valorem tax increase, resulted in an excess of ad valorem taxes collected totaling, **\$595,104** (2020) and **\$392,375** (2021).

**Recommendation:** We recommend the Leland School District ensure compliance by assuring the “Notice of Proposed Ad Valorem” is properly advertised in the local newspaper, as required by state law. Also, we recommend the District escrow the excess amount of ad valorem taxes for one year for fiscal years 2020 and 2021, totaling **\$987,479**.

**District’s Response:** The Leland School District strengthened internal controls and ensure the 2021-2022 Notice of Proposed Ad Valorem was properly advertised in the local newspaper. The Leland School District did escrow **\$875,000** on its 2021-2022 Ad Valorem Tax Request Worksheet and will take steps to correct any additional differences.

**Repeat Finding:** Yes.

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**Finding 15:** The School District Should Ensure Compliance with State Law over Obtaining and Maintaining Background Checks, Educator Certifications and Maintaining All Approved Contracts in Personnel Files.

**Applicable State Law:** *Section 37-9-33, Mississippi Code Annotated (1972)*, states, “In employing and contracting with appointed superintendents, principals, and certified employees, the school board shall in all cases determine whether the amount of salary to be paid such superintendent, principal, and certified employees is in compliance with the provisions of the adequate education program. No contracts shall be entered into where the salary of a superintendent, principal, or certified employee is to be paid, in whole or in part, from adequate education program funds except were the reimbursements of said chapter as to the amount of salary are fully met... The allowance in the Mississippi Adequate Education Program for teachers’ salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers’ salaries as provided in this subsection.”

*Section 37-9-17, Mississippi Code Annotated (1972)*, states, “Current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks are on file for any new

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

*Accounting Manual for School Districts, Section B, Subject D, “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. School districts, as well as private firms under contract to provide substitute teachers to school districts, are required to conduct criminal records background and child abuse registry checks on all newly hired licensed and non-licensed employees.”

**Finding Detail:** During the review of the School District’s personnel files, the auditor noted the following exceptions out of 20 tested:

- Six certified employees’ personnel files did not contain evidence of their current educator certifications;
- Four certified employees’ personnel files did not contain evidence of background checks; and
- There was no evidence found of 35 supplemental contracts in certified employees’ personnel files, totaling **\$53,726**.

Failure to obtain background checks of all new hires could result in a wrongful hire of an individual and resulted in noncompliance with *Section 37-9-17, Mississippi Code Annotated (1972)*. Also, failure to maintain original supplemental contracts could result in improper payments to District employees without Board approval and resulted in the violation of *Section 37-9-33, Mississippi Code Annotated (1972)*. Also, failure to maintain educator certifications within employees’ personnel file resulted in noncompliance with the *Accounting Manual for School Districts*.

**Recommendation:** We recommend Leland School District ensure compliance over personnel matters by properly obtaining and maintaining criminal background checks, educator certifications, and supplemental contracts are maintained in personnel files of all District employees, as required by state law and regulations.

**District’s Response:** The Leland School District will strengthen internal controls to ensure evidence of all background checks, supplemental pay, and current MDE certifications are maintained in the certified employee personnel files.

**Repeat Finding:** No.

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**Finding 16:** The School District Should Ensure Compliance with State Law over the Unemployment Compensation Fund.

**Applicable State Law:** *Section 71-5-359(5), Mississippi Code Annotated (1972)*, states, “Each political subdivision, unless it elects to make contributions to the unemployment compensation fund as provided in subsection (9) of this section, shall establish a revolving fund and deposit an amount equal to two percent (2%) of the first Six Thousand Dollars (\$6,000.00) paid to each employee thereof during the next preceding year. However, the department shall by regulation establish a procedure to allow reimbursing political subdivisions to elect to maintain the balance in the revolving fund as required under this paragraph or to annually execute a surety bond to be approved by the department in an amount not less than two percent (2%) of the covered wages paid during the next preceding year.”

**Finding Detail:** During testing of the School District’s Unemployment Compensation Fund, the auditor noted the District’s fund balance was **\$3,005** less than the amount required by *Section 71-5-359(5), Mississippi Code Annotated (1972)*.

Failure to maintain an adequate balance in the Unemployment Compensation Fund resulted in the noncompliance with state law.

**Recommendation:** We recommend the Leland School District ensure that the District has adequate funds in the Unemployment Compensation Fund, as required by state law.

**District's Response:** The Leland School District will ensure adequate funds are in the Unemployment Compensation Fund as of June 30<sup>th</sup>.

**Repeat Finding:** No.

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**Finding 17:** The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

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

**Finding Detail:** During the testing of the School District's Statements of Economic Interest, the auditors noted three Board Members failed to file a Statement of Economic Interest, and two Board Members filed their Statement of Economic Interest subsequent to the May 1<sup>st</sup> deadline.

Failure to file the Statement of Economic Interest resulted in noncompliance with state law 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 Leland School District ensure all School Board Members file the Statement of Economic Interest annually, no later than May 1<sup>st</sup> of each year that such official holds office, regardless of the duration.

**District's Response:** The Leland School District Board Members were reminded during the March 2022 School Board Meeting to complete the Statement of Economic Interest Form. The Leland School District will ensure all Board Members complete the form prior to May 1<sup>st</sup>.

**Repeat Finding:** Yes.

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**Finding 18:** 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 (PERS) 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 Form 4Bs, the auditor noted the following exceptions out of nine tested:

- Two Form 4Bs were not completed correctly;
- One Form 4B did not have evidence of the retiree’s complete retirement date;
- One retiree’s full-time salary compensation was not recorded on their Form 4B; therefore, the allowed salary could not be accurately calculated; and
- One Form 4B could not be located for review; therefore, the auditor was unable to complete testing.

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

**Recommendation:** We recommend the Leland 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:** The Leland School District will strengthen its internal controls to ensure the PERS forms are properly completed and submitted to PERS within five days of reemployment for all retired employees.

**Repeat Finding:** No.

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**Finding 19:** The School District Should Ensure Compliance with State Law over Surety Bonds.

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

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

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

*School Board Policy, Section D, Fiscal Management, Policy Code DJEA, Purchasing Authority* provides that the school board designates the following other individuals as "purchasing agents" subject to the limitations: Superintendent, Assistant Superintendent, Business Manager, Director of Auxiliary Services, Director of Maintenance, and all Principals.

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

- Three Board members and one Purchasing Agent were covered with a continuation certificate; instead of an official bond;
- One Board member, Superintendent, two Directors, Business Manager, and four Principals were covered with indefinite bonds;

- One Board Member's surety bond did not cover the entire fiscal year;
- Bonds were not filed in the Chancery Clerk's office for:
  - Five Board members;
  - Three Superintendents;
  - Two Directors;
  - One Purchase Agent; and
  - Three Principals.
- The following employees designated as Purchasing Agents were not bonded as Purchasing Agents:
  - Business Manager;
  - Director of Maintenance; and
  - Four Principals.

A "continuation certificate" is a document that extends the life of the original surety bond. A continuation certificate only covers the current bonding period rather than both the current and previous periods. 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 have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds.

**Recommendation:** We recommend the Leland School District ensure compliance by assuring that new bonds are secured every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee as statutorily required. Additionally, the Board should ensure all bonds for employees' and officials' bonds are filed with the Chancery Clerk's office.

**District's Response:** The Leland School District will amend Policy DJEA to include the Superintendent and Business Manager. The District will ensure all bonds are for definite periods and file all bonds with the Chancery Clerk's Office in a timely manner.

**Repeat Finding:** Yes.

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**End of Report**

# LELAND SCHOOL DISTRICT

*Reverend Jessie King, Superintendent*



## COMPLIANCE REVIEW FINDINGS

April 4, 2023

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

Dear Mr. White:

Please find the attached responses and corrective action plans for the Leland School District.

### AUDIT FINDINGS:

#### Audit Finding Heading:

- (1) The School District should strengthen internal controls over Financial Statement Reporting.

Response: The Leland School District will maintain the General Long Term Debt Fund going forward to properly report the Debt Service investment fund balances.

#### Corrective Action Plan:

- A. Audit adjustments were made to properly report the Debt Service investment fund balance on the FY21 single audit.
- B. Kenneth Harris is responsible for corrective action.
- C. Anticipated completion date: September 30, 2022
- D. Finding 1 was corrected.

#### Audit Finding Heading:

- (2) The School District should strengthen internal controls and ensure compliance with State Law over the Budget Approval.

Response: The Leland School District has established a monthly check list where the Superintendent and the Business Manager will review all financial reports prior to submitting them to the school board members. This will ensure no expenditures exceed budgeted amounts



and eliminate negative fund balances being reported. The school district will also publish a synopsis of the Original Budget after board approval.

**Corrective Action Plan:**

- A. The FY22 budget was submitted and approved by the Leland School Board and reflected in the board minutes. There were no negative fund balances on the FY22 budget and the FY22 budget synopsis was published in the local newspaper.
- B. Kenneth Harris was responsible for corrective action.
- C. Anticipated completion date: September 30, 2022
- D. Finding 2 was corrected.

**Audit Finding Heading:**

- (3) The School District should strengthen internal controls and ensure compliance with State Law over the Board Minutes.

Response: The Leland School District will ensure all pages in the district's official board minutes binder are numbered and maintained in chronological order. The school district will also ensure all financial reports, bid proposals and supplementary documents are included in the district's official board minutes binder.

**Corrective Action Plan:**

- A. The March 2022 board minutes were numbered and maintained in chronological order with all supporting documentation.
- B. Loretta Ransom was responsible for corrective action.
- C. Anticipated completion date: March 2022
- D. Finding 3 was corrected.

**Audit Finding Heading:**

- (4) The School District should strengthen internal controls and ensure compliance with State Law over 16<sup>th</sup> section deposits, lease payments, reporting, and lease agreement renewals.

Response: The Leland School District will ensure the District's Annual 16<sup>th</sup> Section School Trust land report is completed and filed according to MS Code Section 29-1-3. The district will also ensure deposits are made timely and report any lease payments not made within 60 days.

**Corrective Action Plan:**

- A. Review lease agreements quarterly for any expiring leases and send reminders of lease payments due.
- B. Kenneth Harris will be responsible for corrective action.
- C. Anticipated completion date: June 30, 2023

**Audit Finding Heading:**

- (5) The School District should strengthen internal controls and ensure compliance with State Law over Travel reimbursements.

Response: The Leland School District has implemented procedures to ensure all travel procurement packs contain an approved leave request form, a completed travel voucher, a meeting agenda, and if applicable a hotel receipt showing a zero balance. Mileage and meal

reimbursements will be based on rates established by the MS Department of Finance and Administration for each school year.

**Corrective Action Plan:**

- A. A travel procurement pack checklist was established.
- B. Kenneth Harris, Nehru Brown, Kim Jenkins, and Loretta Ransom will be responsible for corrective action.
- C. Anticipated completion date: June 30, 2023

**Audit Finding Heading:**

- (6) The School District should ensure compliance with State Law over Bank Reconciliations.

Response: The Leland School District will ensure journal entries are made at the end of each month during the reconciliation process to ensure timely and accurate reporting of balances by fund. The end of year payroll accruals will be made as of June 30<sup>th</sup> and reversed by July 30<sup>th</sup> to ensure accurate reporting of the payroll balances.

**Corrective Action Plan:**

- A. The district hired a consultant to do the monthly bank reconciliations.
- B. Kenneth Harris was responsible for corrective action.
- C. Anticipated completion date: July 1, 2022
- D. Finding 6 was corrected.

**Audit Finding Heading:**

- (7) The School District should ensure compliance with State Law over the Presentation and Approval of Financial Reports.

Response: The Leland School District will ensure all monthly financial reports are properly labeled and submitted to the School Board monthly. All documents presented at the school board meeting will be included in the district's official board minutes binders maintained in the central office.

**Corrective Action Plan:**

- A. The monthly financial reports were properly labeled and presented for board approval and the reports were included in the district's official board minutes binders.
- B. Kenneth Harris was responsible for corrective action.
- C. Anticipated completion date: March 2022
- D. Finding 7 was corrected.

**Audit Finding Heading:**

- (8) The School District should ensure compliance with State Law over the Approval of Depositories.

Response: The Leland School District will ensure all bid proposals and supplementary documents are included in the district's official board minutes binder to ensure compliance with State law.



Corrective Action Plan:

- A. The School Board approved depository was filed in the district's official board minutes binder.
- B. Loretta Ransom was responsible for corrective action.
- C. Anticipated completion date: March 2022
- D. Finding 8 was corrected.

Audit Finding Heading:

- (9) The School District should ensure compliance with State Law over Public Depositor's Annual Report.

Response: The Leland School District will ensure the Public Depositor's Annual Report is submitted prior to July 30<sup>th</sup>.

Corrective Action Plan:

- A. The FY22 public depository was submitted prior to July 30, 2022.
- B. Kenneth Harris was responsible for corrective action.
- C. Anticipated completion date: July 2022
- D. Finding 9 was corrected.

Audit Finding Heading:

- (10) The School District should ensure compliance with State Law over Purchasing Procedures.

Response: The Leland School District will strengthen its internal controls to ensure all purchases totaling \$5,000 and greater have the proper quotes or are properly advertised for bid. The school district will ensure all documentation of board approved items are maintained in the official board minutes binder that is kept in the central office. Additional staff training will be provided to ensure proper coding of expenditures and improve knowledge of the MS purchasing laws.

Corrective Action Plan:

- A. A purchasing procurement pack checklist was established. Additional staff training was provided November 2022 and February 2023
- B. Kenneth Harris, Nehru Brown, and Kim Jenkins will be responsible for corrective action.
- C. Anticipated completion date: February 2023
- D. Finding 10 was corrected.

Audit Finding Heading:

- (11) The School District should ensure compliance with State Law over Merchant – Specific Credit Cards, Membership Cards, and Credit Card Usage.

Response: The Leland School District has established Credit Card Policy (DJI) and will ensure internal controls are in place to document the use of the credit card after an authorized purchase order number has been assigned.

Corrective Action Plan:

- A. Credit Card Policy (DJI) was board approved March 24, 2022. A credit card usage binder was created to track the authorized staff person who received the credit card, the date

received, the purchase order number and amount, and the date the credit card was returned.

- B. Kenneth Harris and Loretta Ransom were responsible for corrective action.
- C. Anticipated completion date: March 2022
- D. Finding 11 was corrected.

Audit Finding Heading:

(12) The School District should ensure compliance with State Law over the Superintendent's Recommendation and Supervision of Relatives.

Response: The Leland School Board and Superintendent will ensure going forward that the step-a-side and recusal of the Superintendent occurs when relatives of the Superintendent are recommended for employment. The Superintendent will recommend for board approval the realignment of the Interventionist Coach position to the school level and reporting to the building principal in the April 2022 board meeting. The school district will appoint the Federal Programs Director to make employment recommendations to the school board when relatives of the Superintendent are being considered for employment in the school district.

Corrective Action Plan:

- A. The Superintendent recused himself from the April 2022 board meeting prior to the Federal Programs Director recommending for board approval the employment of his relatives. Upon board approval, the Superintendent returned to the board meeting.
- B. Nehru Brown was responsible for corrective action.
- C. Anticipated completion date: April 2022
- D. Finding 12 was corrected.

Audit Finding Heading:

(13) The School District should ensure compliance with State Law over Principal's Recommendation and Supervision of Relatives.

Response: The Leland School Board and Superintendent will ensure going forward that Principals do not recommend or supervise relatives within the first degree. The school district will appoint the Federal Programs Director to make employment recommendations to the school board when relatives of the Superintendent are being considered for employment in the school district.

Corrective Action Plan:

- A. The Superintendent recused himself from the April 2022 board meeting prior to the Federal Programs Director recommending for board approval the employment of his relatives. Upon board approval, the Superintendent returned to the board meeting.
- B. Nehru Brown was responsible for corrective action.
- C. Anticipated completion date: April 2022
- D. Finding 13 was corrected.

Audit Finding Heading:

(14) The School District should ensure compliance with State Law over its "Notice of Tax Effort" Advertisement and Escrows.



Response: The Leland School District strengthened internal controls and ensured the 2021-2022 Notice of Proposed Ad Valorem was properly advertised in the local newspaper. The Leland School District did escrow \$875,000 on its 2021-2022 Ad Valorem Tax Request Worksheet and will take steps to correct any additional differences.

Corrective Action Plan:

- A. The 2021-2022 Notice of Proposed Ad Valorem was properly advertised in the local newspaper.
- B. Kenneth Harris was responsible for corrective action.
- C. Anticipated completion date: June 2022
- D. Finding 14 was corrected.

Audit Finding Heading:

(15) The School District should ensure compliance with State Law over Obtaining and Maintaining background checks, Educator Certifications and Maintaining All approved contracts in Personnel files.

Response: The Leland School District will strengthen internal controls to ensure evidence of all background checks, supplemental pay, and current MDE certifications are maintained in the certified employee's personnel file.

Corrective Action Plan:

- A. The Leland School District New Hire Checklist was updated to include all necessary items for employment.
- B. Kenneth Harris, Everlyn Smith, and Patricia Yates were responsible for corrective action.
- C. Anticipated completion date: November 2022
- D. Finding 15 was corrected.

Audit Finding Heading:

(16) The School District should ensure compliance with State Laws over the Unemployment Compensation Fund.

Response: The Leland School District will ensure adequate funds are in the Unemployment Compensation Fund as of June 30<sup>th</sup>.

Corrective Action Plan:

- A. Funds were transferred to ensure adequate funds were in the Unemployment Compensation Fund as of June 30<sup>th</sup>.
- B. Kenneth Harris was responsible for corrective action.
- C. Anticipated completion date: June 2022
- D. Finding 16 was corrected.

Audit Finding Heading:

(17) The School District should ensure compliance with State Law over Statement of Economic Interest.

Response: The Leland School District Board Members were reminded during the March 2022 school board meeting to complete the Statement of Economic Interest Form. The Leland School

District will ensure all board members complete Statement of Economic Interest Form prior to May 1<sup>st</sup>.

Corrective Action Plan:

- A. The Leland School District Board Members completed the Statement of Economic Interest form prior to May 1<sup>st</sup>.
- B. Kenneth Harris was responsible for corrective action.
- C. Anticipated completion date: April 2022
- D. Finding 17 was corrected.

Audit Finding Heading:

(18) The School District should ensure compliance with State Law over Reemployment of Retired Public Employees.

Response: The Leland School District will strengthen internal controls to ensure PERS forms are properly completed and submitted to PERS within five days of reemployment for all retired employees.

Corrective Action Plan:

- A. Identify all retired staff returning for the next school year and ensure Form 4Bs are completed and submitted to PERS by June 15.
- B. Kenneth Harris and Patricia Yates will be responsible for corrective action.
- C. Anticipated completion date: June 2023

Audit Finding Heading:

(19) The School District should ensure compliance with State Law over Surety Bonds.

Response: The Leland School District will amend policy DJEA to include the Superintendent and Business Manager. The district will ensure all bonds are for definite periods and file all bonds with the Chancery Clerk's Office in a timely manner.

Corrective Action Plan:

- A. Update all bonds to definite bonds with the insurance provider and file with Chancery Clerk's Office.
- B. Kenneth Harris will be responsible for corrective action.
- C. Anticipated completion date: June 2023

Sincerely,

A handwritten signature in cursive script that reads "Jessie King". The signature is written in dark ink and is positioned below the word "Sincerely,".

Jessie King, Superintendent