

CARROLL COUNTY SCHOOL DISTRICT
MISSISSIPPI

COMPLIANCE REPORT

Limited Internal Control and Compliance Review Management
For the year ended *June 30, 2022*

SHAD WHITE, CFE
State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*



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

April 15, 2024

Limited Internal Control and Compliance Review Management Report

Carroll County School District
606 Lexington Street
Carrollton, Mississippi 38917

Dear Members of the Board of Carroll County School District:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the **Carroll County School District** for Fiscal Year **2022**. In these findings, the Auditor's Office recommends the **Carroll County School District**:

1. Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Activity/Athletic Fund Deposits and Cash Receipts;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
4. Ensure Compliance with State Law over Recommendation and Supervision of Relatives within the First Degree;
5. Ensure Compliance with State Law over Monthly Financial Reports;
6. Ensure Compliance with State Law over Its Public Depositor's Annual Report;
7. Ensure Compliance with State Law over Purchasing, Payment of Invoices, and Expenditure Coding;
8. Ensure Compliance with State Law over Credit Card Usage and Approval;
9. Ensure Compliance with State Law over Ratifying Checks Disbursed by Individuals Other than the Superintendent;
10. Ensure Compliance with State Law over Budget Approval Procedures;
11. Ensure Compliance with State Law over the Ad Valorem Tax Request Publication;
12. Ensure Compliance with State Law over Sixteenth Section Lease Payments and Appraisals;
13. Ensure Compliance with State Law over Sixteenth Section Educable Child Lists;
14. Ensure Compliance with State Law over Statement of Economic Interest;
15. Ensure Compliance with State Law over Bereavement Leave Policy;
16. Ensure Compliance with State Law over Certified Employees' Background Checks, Personnel Files, Salaries, and Supplemental Contracts;
17. Ensure Compliance with State Law over the Board Minutes and Meetings;
18. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
19. Ensure Compliance with State Law over Surety Bonds.

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 **Carroll County School District** to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Charlotte L. Duckworth". The signature is written in a cursive style with a large initial 'C' and 'D'.

CHARLOTTE L. DUCKWORTH
Director of Compliance Audit
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the **Carroll County School District** for the year ended **June 30, 2022**.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with *Section 7-7-211, Mississippi Code Annotated (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We identified certain deficiencies in internal control over financial reporting that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **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**.

OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 1: 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 of internal controls is to ensure outstanding checks and deposits are balanced per the District's bank statements and reconciled against the amount of cash listed on the District's general ledger. The reconciliation process enables the Business Office to make adjusting journal entries to correct any mistakes or unrecorded items in the District's financial records.

Applicable State Law: *Mississippi School Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board*, prescribed by the *Mississippi Department of Education*, 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 review of the School District's bank reconciliations, the auditor noted the District's Payroll bank account was not properly reconciled to the general ledger's cash balance resulting in a difference totaling **(\$264,452)**.

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

Recommendation: We recommend the Carroll County School District strengthen internal controls by ensuring all transactions are properly recorded in the District's general ledger and all variances from book balances are accounted for in a timely manner. Also, we recommend the School District 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: Working on it.

Repeat Finding: No.

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

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: *Accounting Manual for School Districts, Section B, Miscellaneous Issues, Subject E Receipt Files*, prescribed by the *Mississippi Department of Education*, states, “All monies shall be receipted to the school district utilizing pre-numbered receipts (2 parts) and be maintained in a bound book or ledger. Under no circumstance shall monies be deposited to any bank account without a proper receipting of such monies. Any documentation necessary to support the receipts shall be maintained on file. All receipts shall include date, received from, amount, account classification and signature of receiver, at a minimum. Electronic transfers of funds should also have receipts assigned for reporting purposes. Receipt files should be prepared and filed by month. These files should contain receipts filed in numerical order along with all supporting documentation (i.e. remittance advices, etc.)”

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

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

- Twelve deposits did not agree to the tickets sold, resulting in a net overage of **\$54**;
- Three deposits were not made timely, ranging from four days to 10 days after collection;
- The District made monthly entries to record all activity funds admissions collected at the school into the general ledger; however, the District did not separate these funds by activity in the computer software; and
- Transmittals forms were not dated when completed by the school principal or when received at the District Office; therefore, the auditor was unable to determine if they were submitted within five days after month-end.

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 the Carroll County School District strengthen internal controls and ensure compliance by assuring receipts from all activity are safeguarded, adequately recognized, and recorded. Also, the District should ensure deposits are made timely and that all transmittals are as required by state law and regulations.

District’s Response: We will correct in future.

Repeat Finding: No.

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

Internal Control Deficiency: Management is responsible for ensuring 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.”

Carroll County School District, Voucher for Reimbursement of Expenses of Official Travel, states, “... Attach a signed approval form, all receipts, copy of program agenda, and conference follow-up form. Travel Packets must be submitted to Federal Programs within two days of returning to school.”

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

- On January 1, 2021, the Department of Finance and Administration (DFA) decreased the mileage rate from **\$0.575** to **\$0.56**. Management did not ensure this change was implemented; therefore, 12 mileage reimbursements were paid at **\$0.585** a mile instead of **\$0.57** which resulted in an overpayment totaling **\$99**;
- Three travel vouchers did not have documentation of the conventions’ agenda to verify meals were not served; and
- Three travel vouchers did not have corroborating evidence for the purpose of the trip.

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

Recommendation: We recommend the Carroll County School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure reimbursements for professional travel expenses are as required by state law and regulations.

District’s Response: We will correct in future.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 4: The School District Should Ensure Compliance with State Law over the Recommendation and Supervision of Relatives within the First Degree.

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

Mississippi Ethics Opinion 10-067-E provides that a director is prohibited from both supervising and recommending relatives within the first degree.

Finding Detail: During the review of the School District’s related parties, the auditor noted the Transportation Director’s two siblings (Bus Shop Supervisor and Maintenance/Bus Driver) were both recommended for rehire and supervised by them.

Failure to ensure the Transportation Director did not recommend and supervise their relatives within the first degree resulted in non-compliance with *Mississippi Ethics Opinion 10-067-E*.

Recommendation: We recommend the Carroll County School District ensure compliance by assuring that those designated in key positions do not recommend nor supervisor their relatives, as required by state law and regulations. This matter will be referred to the *Mississippi Ethics Commission*.

District's Response: I gave you a board approved organizational chart that states the brothers both answer to the Superintendent, not each other.

Auditor's Note: The organization chart provided to the staff of OSA indicates the Transportation Director is the direct supervisor of both the Bus Drivers and Bus Shop Staff. The Transportation Director's siblings hold positions in these areas. Per inquiry of the Business Manager on December 19, 2022, the Transportation Director recommended the rehire of his siblings to the Superintendent, which does not conform to the *Mississippi Ethics Laws*.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Law over Monthly 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, prescribed by the *Mississippi Department of Education*, 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."

Finding Detail: During the review of the School District's financial reports, the auditor noted the following exceptions:

- A complete set of financial statements nor addendums were presented to the Board and spread upon the Board's minutes for fiscal year 2022; and
- Financial statements for December 2021 were reflected in the Board Minutes as being approved on December 7, 2021; however, the documents were dated January 13, 2022;

Failure to comply with the financial reporting requirements established by the State Board of Education constitutes as a violation of the *Mississippi State Board of Education Policy Manual*. Additionally, presenting false or inaccurate 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 Carroll County School District ensure compliance by assuring a complete set of financial statements are submitted to the Board and spread upon its minutes each month, as required by state law.

District's Response: I have corrected this to present day.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over its 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 did not submit its Public Depositors Annual Report until August 12, 2022.

Failure to submit the Public Depositor Annual Report in a timely manner 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, it resulted noncompliance with state law.

Recommendation: We recommend the Carroll County School District ensure compliance by assuring the Public Depositor Annual Report is submitted accurately to the State Treasurer’s Office within 30 days of fiscal year-end, as required by state law.

District’s Response: The District acknowledges this finding and will implement procedures to ensure that compliance is met on a timely basis. The district has: 1) implemented a monthly calendar of all due dates and 2) trained and assigned specific staff to complete this report in a timely fashion.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Purchasing, Payment of Invoices, and Expenditure Coding.

Applicable State Law: *Section 31-7-13(b), Mississippi Code Annotated. (1972)*, states, “Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained...The term "competitive written bid" shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor's letterhead or identifiable bid form and signed by authorized personnel representing the vendor. “Competitive” shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids.”

Section 31-7-13(c)(i)(2), Mississippi Code Annotated (1972), provides that the reverse auctions shall be the primary method for receiving bids for purchases over \$50,000. However, reverse auction shall not be used for any public contract for design or construction of public facilities, including buildings, roads and bridges.

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.”

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. The audit must include a report showing correct and appropriate functional level expenditure codes in expenditures by the school district... Based upon the audit report, the State Auditor shall compile a report on the compliance and noncompliance by all public school districts with correct and appropriate coding at the function level, which report must be submitted to the Chairmen of the Education and Appropriations Committees of the House of Representatives and Senate.”

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

- The District did not obtain bids for three purchases, totaling **\$30,250**;
 - Sure Restore, LLC **\$14,543**
 - Dixie Roofing Company **\$ 9,996**
 - Waters Truck and Tractor **\$ 5,711**

- The District did not utilize the reverse auction method for two purchases, totaling **\$234,789**;
 - Synergetics DCS, Inc. **\$ 61,560**
 - Dell, Inc. **\$173,229**
- Two invoices were paid more than 45 days after being received within the District;
- One expenditure was incorrectly coded to (2620) operating building services instead of (2630) care and upkeep of grounds services; and
- One expenditure was incorrectly coded to (2840) data processing services instead of regular programs depending on grade level.

Failure to follow purchase law and properly code expenditures at the functional level could result in the loss or misappropriation of public funds, and resulted in noncompliance with state law.

Recommendation: We recommend the Carroll County School District ensure compliance by assuring all proper purchase procedures are being followed and monitored, as required by state law. Additionally, the District should ensure the correct function codes are used when entering the expenditures into the accounting software.

District’s Response: We will correct these in the future.

Repeat Finding: Yes, SL-001.

Finding 8: The School District Should Ensure Compliance with State Law over Credit Card Usage and Approval.

Applicable State Law: *Section 39-5-9, Mississippi Code Annotated (1972)* and the *Mississippi Department of Archives and History*, states, financial records should be retained five (5) years following submissions of all final financial reports on federal grant projects providing audit has been releases one (1) year. All financial records of school districts and local schools includes purchase orders, material invoices, receivable reports, receipt copies, etc.

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

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...The appropriate agency official shall maintain a file with the statements and all applicable receipts and dispute documents.”

Finding Detail: During the review of the School District’s credit cards, the auditor noted the following exceptions:

- The District could not provide three procurement card statements; therefore, the auditor could not verify items on the charge slips and match with the statement;
- The District could not provide the charge slips for ten procurement card purchases; therefore, the auditor could not

verify if the personnel was an authorized user; and

- The School Board did not approve the use and justification of a merchant – specific credit card (Dollar General).

Failure to have adequate controls surrounding the District’s procurement card purchases could result in waste, fraud, and abuse of public funds. Additionally, failure to approve merchant – specific credit cards resulted in noncompliance with state law and regulations.

Recommendation: We recommend the Carroll County School District ensure compliance in regards to obtaining and usage of credit cards, as required by state law and regulations.

District’s Response: We will correct in future.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Ratifying Checks Disbursed by Individuals Other than the Superintendent.

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

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

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

Finding Detail: During the review of School District’s check disbursements, the auditor noted the Principals at each school disbursed checks prior to Board’s approval. All disbursements were not ratified by the School Board at the next monthly scheduled Board meeting.

Failure to ensure checks disbursed by Principals were Board approved prior to the disbursement resulted in a violation of state law and could result in fraud or misappropriation of public monies.

Recommendation: We recommend Carroll County School District ensure compliance by assuring only the Superintendent disburses checks prior to Board approval, as required by state law and regulations.

District’s Response: Being a decentralized activity fund, I don’t see any way around this.

Auditor’s Note: State law does not provide for anyone, other than the Superintendent, to issue pay certificates prior to Board approval, as long as this power is granted by Board policy. The fact the District is decentralized does not negate the requirements of state laws and regulations noted above.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Budget Approval Procedures.

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

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

- The Public Hearing for fiscal year 2022 budget was held on July 8, 2021; however, this action was not spread upon the District’s minutes; and
- On July 22, 2021, the School Board approved its fiscal year 2022 original budget; however, it was not spread upon its minutes or an addendum.

Failure to ensure the original budget and public hearing were spread upon the minutes resulted in noncompliance with state law.

Recommendation: We recommend the Carroll County School District ensure compliance by assuring the public hearings and budgets are spread upon its Board minutes, as required by state law.

District’s Response: We will correct.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Law over the Ad Valorem Tax Request Publication.

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 ($\frac{1}{4}$) 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 in the following form.

Finding Detail: During the review of the School District’s ad valorem advertisement, the auditor noted the District did not use the specified wording of the state law within the publication of its tax request, in the title and body.

Failure to accurately advertise the ad valorem tax increase as adopted by the School Board could result in taxpayers being misled and/or a loss of public trust and transparency, and resulted in a noncompliance with state law.

Recommendation: We recommend the Carroll County School District ensure compliance by assuring its ad valorem tax advertisement is in proper form and the ad valorem tax increase is the same amount requested by the School Board, as required by state law.

District’s Response: We will correct this language.

Repeat Finding: No.

Finding 12: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Payments and Appraisals.

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*.”

Finding Detail: During the review of the School District’s sixteenth section leases, the auditor noted the following exceptions, out of 20 tested:

- Two lease payments were more than 60 days late; however, the leases were not terminated. Additionally, there was no late fees charged per lease agreement; and
- Seven lease agreements did not have appraisals on file to verify appraisals were completed prior to entering into new lease agreements.

Failure to have adequate internal controls over sixteenth section land lease agreements resulted in noncompliance with state law.

Recommendation: We recommend the Carroll County School District ensure compliance by assuring all lease payments are current and an appraiser is appointed one year before the rental of sixteenth section land, as required by state law.

District’s Response: We have been cleaning these leases, work in progress.

Repeat Finding: No.

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

Applicable State Law: *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 educable child lists, the auditor noted the following exceptions:

- The School District submitted its 2021 educable child lists on February 18, 2022 instead of by December 31, 2021:

- The 2021 educable child list submitted to Greenwood-Leflore Consolidated School District was not accurate and complete; and
- The 2021 educable child list was not submitted to Attala County School District.

Failure to file educable child lists with the custodial School District could result in forfeiting funds that the District would otherwise be entitled to and resulted in noncompliance with state law.

Recommendation: We recommend that Carroll County School District ensure compliance by assuring all educable child lists are properly prepared and filed with the Superintendent of each custodial district by December 31st of each year, as required by state law.

District's Response: We will correct.

Repeat Finding: No.

Finding 14: 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, Mississippi Code Annotated (1972)*, provides that "(1) 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 the statement is due shall be deemed delinquent by the commission. The commission shall give written notice of the delinquency to the person by United States mail or by personal service of process. If within fifteen (15) days of receiving written notice of delinquency the delinquent filer has not filed the statement of economic interest, a fine of Fifty Dollars (\$50) per day, not to exceed a total fine of One Thousand Dollars (\$1,000), shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgement 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 auditor noted two Board members failed to file a Statement of Economic Interest for fiscal year 2022.

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

Recommendation: We recommend the Carroll County School District ensure compliance by assuring all Board members file a 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: We will correct in the future.

Repeat Finding: No.

Finding 15: The School District Should Ensure Compliance with State Law over Bereavement Leave Policy.

Applicable State Law: *Mississippi Attorney General Opinion No. 2021-00082*, states, "The District's school board may not create a new category of bereavement leave. The statute as amended in 2019 does not create a specific type of leave for bereavement but instead provides an exception to the rule disallowing personal leave on specific days during the school year...The maximum number of allowable personal leave days and sick days is calculated based upon an individual's years

of continuous service as specified in *Sections 25-3-93 and 25-3-95*. The three bereavement days referred to in *Section 37-7-307(3)(b)(iv)* are not additional days of leave or a new category of leave. Instead, they are exceptions to the statutorily imposed restrictions on the three types of days of the school term on which personal leave may not be taken.”

Finding Detail: During the review of the School District’s Board policies, the auditor noted the School Board approved a policy (*GBRIAD – Bereavement Leave*) that gives its employees an additional three days of bereavement outside of the allowed personal and sick days already allowed.

Due to the School Board approving an additional category of leave, the District is in noncompliance with state law.

Recommendation: We recommend the Carroll County School District ensure compliance by assuring its Board – approved leave policies are as required by state law.

District’s Response: We will correct in the future.

Repeat Finding: No.

Finding 16: The School District Should Ensure Compliance with State Law over Certified Employees’ Background Checks, Personnel Files, Salaries, and Supplemental Contracts.

Applicable State Law: *Section 37-9-17(2), Mississippi Code Annotated (1972)*, states, “Current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board or at such local school district prior to July 1, 2000.” Ultimately, the criminal records information and registry must be kept on file for any and all new hires. Additionally, employees employed under the recommendation of a personnel supervisor may not be paid compensation in excess of their approved contract without Board approval.

Accounting Manual for School Districts, Section B, Miscellaneous Issues, Personnel Files, prescribed by the *Mississippi Department of Education*, states, “There shall be individual personnel files in the school district central office, which include contracts, a copy of teacher certificates, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals.” Additionally, all new hired licensed and non-licensed employees are required to have criminal records background and child abuse registry checks.

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

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

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

- Twenty certified employees received additional supplements totaling **\$108,118**; however, there was no evidence of a supplemental contracts within their personnel files:

- Two coaches \$ 7,572
 - Sixteen certified teachers \$86,498
 - One Bus Driver \$14,048
- Nineteen certified employees did not have background checks documented within their personnel files;
 - Thirteen employees were paid more than the contracted amount, totaling \$13,220; and
 - One certified employee did not have evidence of a background check being performed.

Failure to have adequate internal controls and proper procedures surrounding contracts and payroll resulted in noncompliance with state law.

Recommendation: We recommend the Carroll County School District ensure compliance by assuring all criminal background checks are obtained and maintained in the personnel files of its employees, as required by state law. Also, we recommend the School District ensure all salaries are paid according to the appropriate salary scales and all contracts are properly executed prior to paying salary of its employees, as required by state law.

District's Response: We will correct.

Repeat Finding: No.

Finding 17: The School District Should Ensure Compliance with State Law over the Board Minutes and Meetings.

Applicable State Law: *Section 25-41-11, Mississippi Code Annotated (1972)*, states, "Minutes shall be kept of all meetings of a public body, whether in open or executive session, showing the members present and absent; the date, time and place of the meeting; an accurate recording of any final actions taken at such meeting; and a record, by individual member, of any votes taken; and any other information that the public body requests be included or reflected in the minutes. The minutes shall be recorded within a reasonable time not to exceed thirty (30) days after recess or adjournment and shall be open to public inspection during regular business hours."

Section 25-41-13(1)(a) & (b), Mississippi Code Annotated (1972) and Board Policy, Section B, Policy BCAC – Special Meetings of the Board, provides that a notice of the place, date, hour and subject matter of any recess meeting, adjourned meeting, interim meeting or any called special meeting shall be posted within one (1) hour after such meeting is called in a prominent place available to examination and inspection by the general public in the building in which the public body normally meets. A copy of the notice shall be made a part of the minutes or other permanent official records of the public body; and a notice of a called special meeting shall be posted to the public body's website, if the public body has a website and has the capability to update the website, not less than one (1) hour before the meeting. A copy of this notice shall be transmitted via email or facsimile not less than one (1) hour before the meeting to any citizen and any publication, broadcast and digital media with a general circulation or coverage within the public body's jurisdiction that has submitted in writing its interest to receive these notices.

Mississippi Public School Asset Management Manual, prescribed by the *Office of the State Auditor*, states, "All deletions of fixed assets, regardless of method, shall be entered in the minutes of the school board."

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

- There was no evidence of the Special – Called Meeting on March 24, 2022 spread upon the Board's minutes;
- There was no evidence of the any Call or Notice for special called meetings upon the Board's official minutes;
- Consent agenda items for consideration and approval were not spread upon the Board's official minutes;
- The details related to personnel, salaries, resignations, and recommendations were not spread upon the Board's official minutes; and
- The list of asset deletions were not included within the Board's official minutes.

Failure to properly document actions taken results in the loss of transparency between the District and the public, and resulted in noncompliance with state law and regulations.

Recommendation: We recommend the Carroll County School District ensure compliance by assuring detailed minutes are kept for all public meetings, and any actions taken are properly documented, as required by state law and regulations.

District's Response: We will correct in the future.

Repeat Finding: No.

Finding 18: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

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

Section 25-11-127(4)(a)(b), Mississippi Code Annotated (1972), states, "The provisions of this section shall not be construed to prohibit any retiree, regardless of age, from being employed and drawing a retirement allowance either: (a) For a period of time not to exceed one-half (½) of the normal working days for the position in any fiscal year during which the retiree will receive no more than one-half (½) of the salary in effect for the position at the time of employment, or (b) For a period of time in any fiscal year sufficient in length to permit a retiree to earn not in excess of twenty-five percent (25%) of retiree's average compensation."

Board Regulation 60, Section 101, prescribed by the *Public Employees' Retirement System (PERS) of Mississippi*, states, "Pursuant to *Mississippi Code Annotated § 25-11-123 (1972, as amended)*, the Board of Trustees of the Public Employees' Retirement System of Mississippi is authorized to set the contribution rates for both employee and employer contributions based on the basis of the liabilities of the retirement system as shown by the actuarial valuation.

The employee and employer contribution rates are as follows:

1. Employee Contribution Rate – 9.00 percent of earned compensation effective July 1, 2010; and
2. Employer Contribution Rate – 17.40 percent of earned compensation effective July 1, 2019."

Finding Detail: During the review of the School District's PERS Form 4Bs, the auditor noted the following exceptions out of five tested:

- Three Form 4Bs were completed incorrectly due to retiree's rehire date being listed as prior to fiscal year 2022;
- One Form 4B did not have evidence of being filed with PERS;
- One retiree was paid **\$791** more than allowed by the PERS Form 4B; and
- The District underpaid the PERS Employer Contribution for one employee in the amount totaling **\$312**.

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

Recommendation: We recommend the Carroll County School District ensure compliance by assuring it properly pays retirees, completes and files Form 4Bs with PERS, as required by state law and regulations.

District's Response: We will correct in future.

Repeat Finding: No.

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

Applicable State Law: *Section 25-1-12(1), Mississippi Code Annotated (1972)*, states, "Notwithstanding any other provision of law to the contrary, any public officer or employee handling or having the custody of public funds, by virtue of his or her office or employment, shall give an individual bond or be covered by a blanket bond. The amount of such bonds shall not be less than Twenty-five Thousand Dollars (\$25,000.00) for each public officer or employee, unless a specific amount is otherwise required by law. The provisions of this section shall not apply to any public officer or employee whose activity of handling or having custody of public funds is incidental to his or her employment or job duties, as defined by the regulations of the State Auditor's office."

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

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

Board Policy DJEA, Purchasing Authority, provides that the school board designates the following as purchase agents: Superintendent, Assistant Superintendent, Business manager, Program Directors, and all School Principals.

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

- The Superintendent and one Purchase Agent were covered by continuation certificates;
- The District's purchasing authority policy designates Business Manager, School Principals, and all Program Directors as Purchasing Agents and should be bonded as such. The following positions were not bonded during fiscal year 2022:
 - Business Manager,
 - Principal,
 - CTE Director,
 - SPED Director,
 - Federal Programs Director, and
 - Transportation Director;
- The following District employees handles cash; however, were not bonded:
 - Cafeteria Manager – High School,
 - Cafeteria Manager – Elementary School,
 - Secretary – Elementary School,
 - Secretary – High School,
 - Accounts Payable/16th Section Manager,
 - Payroll/Human Resources; and
 - 60 District teachers that act as ticket sellers.

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 Carroll County School District ensure compliance by assuring that all employees are properly and sufficiently bonded, as required by state law. Also, the School District should ensure employees are bonded according to Board approved policies and that all employees' and officials' bonds are filed with the Chancery Clerk's office.

District's Response: We will correct in future.

Repeat Finding: No.

End of Report