

# CLEVELAND SCHOOL DISTRICT MISSISSIPPI

## COMPLIANCE REPORT

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

**SHAD WHITE, CFE**  
State Auditor

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

**Charlotte L. Duckworth**  
Director, *Compliance Audit Division*



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

November 8, 2023

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

Cleveland School District  
305 Merritt Drive  
Cleveland, Mississippi 38732

Dear Members of the Cleveland School Board:

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

1. Strengthen Internal Controls over Segregation of Duties;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Activity Fund Cash Receipts and Deposits;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval;
5. Ensure Compliance with State Law over School Board Member Nepotism and Ethics;
6. Ensure Compliance with State Law over Monthly Financial Reports;
7. Ensure Compliance with State Law over Repairs to Equipment Belonging to an Outside Entity;
8. Ensure Compliance with State Law over Purchasing Procedures and the Payment of Invoices;
9. Ensure Compliance with State Law over Mississippi High School Athletic Association (MHSAA) Statewide Passes;
10. Ensure Compliance with State Law over Statements of Economic Interest;
11. Ensure Compliance with State Law over Sixteenth Section Lease Payments, Taxes, and Appraisals;
12. Ensure Compliance with State Law over Reemployment of Retired Public Employees;
13. Ensure Compliance with State Law over Educator Certifications and Criminal Background Checks; and
14. 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 Cleveland School District to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree".

STEPHANIE PALMERTREE, CPA, 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 **Cleveland 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 that we consider to be *significant deficiencies* in internal control and we identified certain deficiencies in internal control that we consider *other deficiencies*. These matters are noted under the headings **SIGNIFICANT DEFICIENCY** and **OTHER DEFICIENCIES**.

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

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## **SIGNIFICANT DEFICIENCY**

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

**Internal Control Deficiency:** *The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. An effective system of internal controls should include adequate segregation of duties. A well-designed system of internal controls should include segregating job duties to the greatest extent possible.

**Finding Detail:** During the review of the School District's internal controls, the auditor noted the secretaries at each school locations receipt monies, prepare deposit slips, and take the deposits to the bank.

Failure to have adequate internal controls could result in fraud or misappropriation of public monies.

**Recommendation:** We recommend the Cleveland School District strengthen internal controls by implementing effective and proper segregation of duties surrounding monies collected and deposited within all school locations.

**District's Response:** The Cleveland School District has implemented procedures to strengthen their internal controls by segregating the duties of the school secretaries.

**Repeat Finding:** No.

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## **OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW**

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

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

**Applicable State Law:** *Mississippi Attorney General Opinion 93-0213*, provides that United States coins and currency are legal tender for all debts, public charges, taxes, and dues. Therefore, the District must give the public more than one option as a means for obtaining tickets to all athletic/extracurricular events.

*The Accounting Manual for School Districts, Section F, Transmittal Report*, prescribed by the *Mississippi Department of Education*, states, “The sample Transmittal Report is to be completed by the principal's office and submitted to the central office no later than five working days after the close of the month. The Transmittal Report shall contain a listing of all receipts and disbursements occurring at the local school.”

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

- The District failed to include all required information on their monthly transmittal sheets such as the cover page and the principal’s signature; and
- The District utilizes only one system, electronic ticket sales, for taxpayers to purchase tickets for athletic events. A “convenience fee” is charged for each ticket purchased. Only providing this system prohibits taxpayers from purchasing tickets at the gate without an additional fee. A government entity should allow electronic ticket purchases as a voluntary option.

Inadequate internal controls related to athletic fund revenue collection, proper receipting and depositing could result in a loss of assets and improper revenue recognition, and resulted in noncompliance with state law.

**Recommendation:** We recommend the Cleveland School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure monthly transmittals are properly completed, as required by state law. Additionally, the School District should strengthen controls over policies and procedures to ensure all tickets purchased for extracurricular events do not require paying convenience fees.

**District’s Response:** The Cleveland School District concurs with the finding and has developed procedures to strengthen internal controls with the state law over activity funds cash receipts and deposits.

**Repeat Finding:** No.

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

**Internal Control Deficiency:** *The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require management to be responsible for insuring travel advances are settled timely.

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

*Board Policy, Section D, Policy DJD, Expense Reimbursements*, states, “Accounting for any travel advance shall be made within five (5) working days after the end of the month in which the official travel was made. a. Any money not used for travel related expenses shall be repaid the school district at this time. b. The travel reimbursement form prescribed by the Cleveland School District shall be completed and submitted at this time for all money not refunded the school district, and c. Actual receipts for all travel expense except meals and travel in personal vehicles are to be included.”

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

- Ten meal reimbursements for dinner were claimed and reimbursed on the returning day of professional development training; and
- One travel advance was not settled within five days after the end of the month.

Failure to have adequate internal controls could result in fraud, loss, or misappropriation of public funds, and resulted in noncompliance with state law.

**Recommendation:** We recommend the Cleveland 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:** The Cleveland School District concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 25-3-41(4)*.

**Repeat Finding:** No.

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**Finding 4:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval.

**Internal Control Deficiency:** *The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the School Board establishes priorities for the financial management of the District, reviews and approves all presented budgets, and assures expenditures for the District fund are within the legal requirements of the approved budget.

**Applicable State Law:** *Section 37-61-19, Mississippi Code Annotated (1972)*, states, “It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures form a fund in excess of the resources available within that fund...”

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

- On August 9, 2021, the Board approved the 2021-2022 original budget that included the Activity Fund (1151) reflecting a negative fund balance at year-end, totaling **(\$21,263)**; and
- On October 10, 2022, the Board approved the amended 2021-2022 budget that included the following funds reflecting a negative fund balance at year-end:
  - Extended School Year (2090) - **(\$60,341)**
  - Title V (2311) - **(\$32,744)**
  - Vocational (2711) - **(\$10,435)**
  - \$K Pave the Way Grant (2945) - **(\$1,746)**
  - Parks Elementary Storm Renovations (3920) - **(\$352,931)**

The actual fund balances were not negative at June 30, 2022; however, the approval of the fund budgets with ending deficit fund balances could result in the violation of state law.

**Recommendation:** We recommend the Cleveland School District strengthen internal controls and ensure compliance by implementing sound budgeting practices that will prevent projected negative fund balances from being presented to the School Board. A thorough review of such budgets should be made prior to presentation to the Board for approval.

**District's Response:** The Cleveland School District concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 37-61-19*. We will strengthen our internal controls to ensure that the budget is thoroughly reviewed prior to presenting the budget for Board approval.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

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

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

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

**Finding Detail:** During the review of the School District's related parties, the auditor noted two Board members voted on the rehire of relatives within the first and third degree who were both certified employees.

Failure to ensure Board members do not vote on the rehire of relatives within the first and third degree resulted in noncompliance with state law and regulations.

**Recommendation:** We recommend the Cleveland School District ensure compliance by assuring all Board members recuse themselves during the rehire of relatives within the first and third degree. Also, we recommend this action must be spread upon the Board's minutes, as required by state law and regulations. This matter has been referred to the *Mississippi Ethics Commission*.

**District's Response:** The Cleveland School District acknowledges this finding and wants to note that the Board members did step out of the meeting but our minutes did not reflect that action. The District has implemented procedures to notate that action in all future minutes and shall comply with all applicable provisions of *Mississippi Code of 1972, 37-9-21*.

**Repeat Finding:** No.

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**Finding 6:** 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.

**Finding Detail:** During the review of the School District's financial reports, the auditor noted a complete set of monthly financial reports was not submitted to the School Board from July 2021 through October 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 Cleveland School District ensure compliance by assuring all financial reports are submitted to the School Board monthly, as required by state law.

**District's Response:** The District failed to respond.

**Repeat Finding:** No.

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**Finding 7:** The School District Should Ensure Compliance with State Law over Repairs to Equipment Belonging to an Outside Entity.

**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."

*Section 31-7-13(m)(ii), Mississippi Code Annotated (1972)*, states, "Repairs to equipment, when such repairs are made by repair facilities in the private sector; however, engines, transmissions, rear axles and/or other such components shall not be



included in this exemption when replaced as a complete unit instead of being repaired and the need for such total component replacement is known before disassembly of the component; however, invoices identifying the equipment, specific repairs made, parts identified by number and name, supplies used in such repairs, and the number of hours of labor and costs therefor shall be required for the payment for such repairs.”

**Finding Detail:** During the review of the School District’s expenditures, the auditor noted the Cleveland School District and Town of Merigold share a storm shelter. The Town of Merigold owns the storm shelter, and the School District uses and operates it. The Town of Merigold repaired generator without consulting with the Cleveland School District. On June 8, 2022, the Town of Merigold’s mayor requested the School District reimburse the cost of the repairs made to the generator, totaling **\$11,835**. The District reimbursed the Town of Merigold for repairs; however, the repaired generator not belong to the School District.

Failure to obtain bids or quotes for the repairs on the generators resulted in a violation with purchasing laws and regulations. Also, the School District’ failure to comply with state purchase laws and regulations could result in the misappropriation of public funds.

**Recommendation:** We recommend the Cleveland School District ensure compliance by assuring all purchasing procedures are being followed and monitored, as required by state law.

**District’s Response:** The Cleveland School District concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 31-7-13(b)* and *31-7-13(m)(ii)*. The District will ensure that all purchasing procedures are being followed, and monitored, as required by the state law.

**Repeat Finding:** No.

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**Finding 8:** The School District Should Ensure Compliance with State Law over Purchasing Procedures.

**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. Any state agency or community/junior college purchasing commodities or procuring construction pursuant to this paragraph (b) may authorize its purchasing agent, or his designee, to accept the lowest competitive written bid under Fifty Thousand Dollars (\$ 50,000.00). Any governing authority purchasing commodities pursuant to this paragraph (b) may authorize its purchasing agent, or his designee, with regard to governing authorities other than counties, or its purchase clerk, or his designee, with regard to counties, to accept the lowest and best competitive written bid. Such authorization shall be made in writing by the governing authority and shall be maintained on file in the primary office of the agency and recorded in the official minutes of the governing authority, as appropriate. The purchasing agent or the purchase clerk, or their designee, as the case may be, and not the governing authority, shall be liable for any penalties and/or damages as may be imposed by law for any act or omission of the purchasing agent or purchase clerk, or their designee, constituting a violation of law in accepting any bid without approval by the governing authority. The term "competitive written bid" shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor's letterhead or identifiable bid form and signed by authorized personnel representing the vendor. "Competitive" shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids. Any bid item for construction in excess of Five Thousand Dollars (\$ 5,000.00) shall be broken down by components to provide detail of component description and pricing. These details shall be submitted with the written bids and become part of the bid evaluation criteria. Bids may be submitted by facsimile, electronic mail or other generally accepted method of information distribution. Bids submitted by electronic transmission shall not require the signature of the vendor's representative unless required by agencies or governing authorities.”

*Section 31-7-305(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; however, in the event of a bona fide dispute, the public body shall pay only the amount not disputed.”

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

- Five invoices were paid more than 45 days after being received within the District;
- Three quotes did not have evidence of being obtained from electronic transmission. Also, these quotes were not signed; and
- Two vendor purchases did not have two quotes/bids, totaling **\$19,829**:
  - The Ceramic Shop – **\$10,007**
  - CDW – **\$9,822**

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

**Recommendation:** We recommend the Cleveland School District ensure compliance by assuring all proper purchase procedures and invoice payments are being followed and monitored, as required by state law.

**District’s Response:** The Cleveland School District concurs with the finding and shall comply with all applicable provisions of *Mississippi Code Annotated 1972, 31-7-13(b)*. The District will ensure that all purchasing procedures are being followed and monitored, as required by state law.

**Repeat Finding:** No.

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**Finding 9:** The School District Should Ensure Compliance with State Law over Mississippi High School Athletics Association (MHSAA) Statewide Passes.

**Applicable State Law:** *Mississippi Attorney General Opinion No. 2005-0039* and *The Constitution of the State of Mississippi Article 4 Section 96* states, “The legislature shall never grant extra compensation, fee, or allowance, to any public officer, agent, servant, or contractor, after service rendered or contract made, nor authorize payment, or part payment, of any claim under any contract not authorized by law... by the foregoing constitutional provision and prior opinions, the free admission ... to sporting and social events would not be permissible.”

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

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

**Finding Detail:** During the review of the School District's activity/athletic fund revenue, the auditor noted the District paid for Mississippi High School Activities Association (MHSAA) statewide passes for the following employees without being reimbursed, totaling \$270:

- Five Board members;
- Three Elementary School Principals; and
- Career Development and Technology Center Director.

Failure to ensure to be reimbursed for the purchase of MHSAA statewide passes for District employees other than Coaches, Superintendent, Athletic Director, High School Principals, and Middle School Principals could result in an illegal donation.

**Recommendation:** We recommend the Cleveland School District ensure compliance by implementing policies and procedures in regards to the payment of MHSAA statewide passes of its personnel to avoid making an illegal donation to public servants.

**District's Response:** The Cleveland School District has implemented procedures to prevent the error of ordering statewide passes on behalf of faculty and staff prior to receiving payment.

**Repeat Finding:** No.

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**Finding 10:** 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 review of the School District's Statements of Economic Interest, the auditor noted that two Board members did not file a Statement of Economic Interest for fiscal year 2022.

Failure to file a 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 Cleveland School District ensure compliance by assuring all Board members file a Statement of Economic Interest annually, no later than May 1<sup>st</sup> of each year that such official holds office, as required by law.

**District's Response:** The Cleveland School District concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 25-4-25*.

**Repeat Finding:** No.

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**Finding 11:** The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Payments, Taxes, and Appraisals.

**Applicable State Law:** *Section 27-35-71, Mississippi Code Annotated (1972)*, states, “Sixteenth section lands reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be liable, after the same shall have been leased, to be taxed as other lands are taxed during the continuance of the lease, but in case of sale thereof for taxes, only the title of the lessee or his heirs or assigns shall pass by the sale.” In addition, the standard lease agreement used by the district between the lessee and lessor states, “Lessee shall pay all taxes levied, if any, on said property on time to prevent default.”

*Section 29-3-57, Mississippi Code Annotated (1972)*, states, “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.”

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

- Eighteen lease agreements did not have appraisals on file to verify appraisals were completed prior to entering into new lease agreements.
- Eight lease payments were more than 60 days late; however, the leases were not terminated;
- Three lease payments were not paid at all for the fiscal year 2022; however, the leases were not terminated; and
- Two leases where taxes were not current; however, the lease agreements were not terminated, totaling **\$185**;

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

**Recommendation:** We recommend the Cleveland School District ensure compliance by assuring all lease payments are made within 60 days, taxes are current, and an appraiser is appointed one year before the rental of sixteenth section land, as required by state law.

**District’s Response:** The Cleveland School District concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 29-3-57; 29-3-65*.

**Repeat Finding:** No.

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**Finding 12:** 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 34, Section 105*, prescribed by the *Public Employees Retirement System (PERS) of Mississippi*, states, “To lawfully employ a PERS service retiree under Section 103, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of \$300 penalty per occurrence payable by the employer.”

**Finding Detail:** During the review of the School District’s PERS Form 4Bs, the auditor noted the following exceptions:

- Five PERS Form 4Bs did not have evidence of being filed with PERS;
- Seven retirees did not have a PERS Form 4Bs on file within the District;
- Three PERS Form 4Bs did not have evidence of the retirement date; therefore, OSA could not determine if the retirees were not rehired prior to 90 days after retirement;
- Two PERS Form 4Bs allowed salaries were not properly calculated, which resulted in an overpayment, totaling **\$9,480**; and
- The District failed to make the correct Employer Contributions to PERS, resulting in the District owing additional contributions to PERS, totaling **\$78**.

Failure to have adequate controls over the rehire of retirees resulted in noncompliance with state law.

**Recommendation:** We recommend the Cleveland School District ensure compliance by implementing adequate internal controls to verify rehired retirees are properly paid and all PERS Form 4Bs are properly completed and filed, as required by state law.

**District’s Response:** The Cleveland School District has implemented procedures regarding the reemployment of retirees and how we record and verify the data before it is entered into our accounting software.

**Repeat Finding:** No.

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**Finding 13:** The School District Should Ensure Compliance with State Law over Educator Certifications and Criminal Background Checks.

**Applicable State Law:** *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. Additionally, employees employed under the recommendation of a personnel supervisor may not be paid compensation in excess of their approved contract without Board approval.

*Section 37-9-37, Mississippi Code Annotated (1972)*, states, “The amount of salary to be paid any superintendent, principal, or licensed employee shall be fixed by the school board, provided that the requirements of Chapter 19 of this title are met as to superintendents, principals, and licensed employees paid in whole or in part from minimum education program funds.”

*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.”

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

- Five certified employees did not have background checks documented within their personnel files; and
- Three certified employees were paid salaries that did not agree to the Board approved salary schedule, resulting in a net overpayment totaling **\$6,989**; and
- One certified employee’s personnel file did have evidence of a Board – approved contract.

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

**Recommendation:** We recommend the Cleveland School District ensure compliance by assuring all criminal background checks and teacher contracts are obtained and maintained in the personnel files of its employees, as required by state law. Also, we recommend the School District ensure all paid salaries are in accordance with the Board approved salary schedule.

**District’s Response:** The Cleveland School District concurs with the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 37-9-17(2)*. The District will ensure that all criminal records and background checks are conducted and placed in employees’ personnel files as required. The District will make sure that all employees’ salaries agrees with the Board – approved salary scales.

**Repeat Finding:** No.

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**Finding 14:** 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 25-1-19, Mississippi Code Annotated (1972)*, states, “The bond of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts,

shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the chancery court of the county...”

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

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

- The following District employees were covered by continuation certificates instead of official bonds:
  - One Board Member;
  - One Principal;
  - Deputy Superintendent;
  - Business Manager;
- Bonds for the 22 employees were not on file in the Chancery Clerk's office; and
- The following District employees that handle public funds were not bonded:
  - Two Central Office Employees; and
  - Nine School Secretaries.
  - 62 Certified Teachers,
  - Three School Administrators; and
  - 16 Cafeteria Workers.

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 and result in the loss of public funds. Additionally, failure to ensure all employees’ are filed in the Chancery Clerk’s office resulted in noncompliance with state law.

**Recommendation:** We recommend the Cleveland School District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by state law. Additionally, the Board should ensure all bonds for employees’ and officials’ are filed with the Chancery Clerk’s office.

**District’s Response:** The Cleveland School District acknowledges the finding and shall comply with all applicable provisions of *Mississippi Code of 1972, 25-1-12(1); 25-1-15(2); 25-1-19; 37-6-15*.

**Repeat Finding:** No.

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**End of Report**