

COLUMBUS MUNICIPAL 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*



*The Office of the State Auditor does not discriminate on the basis of
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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

April 30, 2024

Limited Internal Control and Compliance Review Management Report

Columbus Municipal School District
2630 McArthur Drive
Columbus, Mississippi 39705

Dear Members of the Columbus Municipal School Board:

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

1. Strengthen Internal Controls over Contracts and Policies to Ensure Compliance with State Law over Incentive Programs;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Activity/Athletic Fund Cash Receipts and Deposits;
5. Ensure Compliance with State Law over School Board Member Nepotism and Ethics;
6. Ensure Compliance with State Law over Purchasing Expenditures;
7. Ensure Compliance with State Law over Merchant – Specific Credit Cards;
8. Ensure Compliance with State Law over Booster Club Fundraisers and School – Sponsored Events;
9. Ensure Compliance with State Law over District – Owned School Bus Use;
10. Ensure Compliance with State Law over Statements of Economic Interest;
11. Ensure Compliance with State Law over Sixteenth Section Lease Payments and Taxes;
12. Ensure Compliance with State Law over Sixteenth Section Educable Child Lists;
13. Ensure Compliance with State Law over Background Checks, Certifications, Contracts, and Personnel Files;
14. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
15. 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 **Columbus Municipal 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, appearing to read "Charlotte L. Duckworth". The signature is fluid and cursive, with the first name "Charlotte" being the most prominent part.

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

The Office of the State Auditor has completed its limited internal control and compliance review of the **Columbus Municipal 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 *other 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 law 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 over Contracts and Policies to Ensure Compliance with State Law over Incentive Programs.

Internal Control Deficiency: The Board of Education may establish or adopt any orders, resolutions, or ordinance with respect to District affairs, property, and finances which are consistent with other state law (Home Rule). The Board of Education must also establish and oversee the performance of the School District in order to comply with applicable law and internal controls. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) and The Standards for Internal Control in the Federal Government (Greenbook) dictate that in order to have a successful control environment, the organization must design and implement internal control policies and procedures that ensure compliance with all relevant regulations.

Applicable State Law: *Mississippi Attorney General Opinion No. 2010 WL 2019883*, states, "Payments in which there is no pre-existing obligation to make the payments, as in the case of bonuses, or in which payments are made for future services that have not been provided at the time the payments are made, as in the case of donations, are considered unlawful, in accordance with *Mississippi Constitution Article IV, Sections 66 and 96*. *MS AG Op., Allen (June 11, 2004)*; *MS AG Op., Ellis (June 27, 1994)*. To the contrary, we have previously opined that employee incentive payments which are implemented prospectively and for which payment is made pursuant to conditions met in the future do not run afoul of these constitutional provisions. *MS AG Op., Meredith and Jones (December 22, 2006)*; *MS AG Op., Silver (July 18, 2003)*; *MS AG Op., Jackson (June 29, 1992)*. See also *MS AG Op., Murdock (August 7, 2009)* and *MS AG Op., Bowman (November 14, 2005)* (incentive provision may be included in contracts when incentive payments are contemplated by contract, there are predetermined objective standards of measurement, payments have been earned and proper amount paid and does not exceed maximum amount)."

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

Article 4, Section 96, Mississippi Constitution provides that the Legislature shall never grant extra compensations, 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 contractual obligations and salary payments to employees, the auditor noted that the school adopted an "incentive pay" program to reward teachers and other employees (as applicable). The Mississippi Attorney General's Office (AGO) has consistently opined that School Boards have the authority to adopt such programs, as long as they meet the following criteria:

- 1.) The incentives are contracted for prior to the date when services are performed;
- 2.) The incentives are determined in accordance with objective standards of measurement; and
- 3.) The incentives are earned by personal services performed by the employees.

Further, the AGO has consistently opined that compliance with the above criteria are essential to ensure incentive payments do not constitute prohibited payments, such as bonuses or donations.

The incentive program designed by the Columbus School District currently provides incentives for services contracted for prior to the date they were performed. Not following this requirement as defined by *Attorney General Opinion No. 2010 WL 2019883* could lead to noncompliance with state law.

Failure to properly document or account for how the school is in compliance with the criteria stated above could result in incentive payments being classified as improper payments to employees.

Recommendation: We recommend the Columbus Municipal School District strengthen internal controls and ensure compliance over incentive payments by ensuring that all payments are in compliance with the required criteria. We further recommend that the School District consult with their Board Attorney, *Mississippi Department of Education*, or the *Attorney General's Office* to ensure their incentive program is in compliance with the law.

District's Response: The Columbus Municipal School District offers sign-on/retention incentives for our Math and Science Teaching positions using Federal funding sources. This practice is covered under *Section 37-7-301(mm)* where it states that available funds that are expressly designated and authorized for this purpose may be used as long as they are not part of the local supplement or funded using MAEP or State funding sources.

Auditor's Note: Although, the funds were available as required under *Section 37-7-301(mm)*. The District was in violation of the *Mississippi Constitution Article 4, Section 66* and *Article 4, Section 96*, and *Attorney General Opinion 2010 WL 2019883*; due to, the incentives offered to the math and science teachers were called bonuses and there were no contracts in place prior to services being rendered.

Repeat Finding: No.

Finding 2: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval.

Internal Control Deficiency: The Board of Education establishes priorities for the financial management of the District, reviews and approves all presented budgets, and assures expenditures for the District fund are within the legal requirements of the approved budget.

Applicable State Law: *Section 37-61-19, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the

fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from 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 amended 2020-2021 budgets included the following five funds reflecting a negative fund balance at year-end:

- ESSER Fund (2594) – **(\$7,500)**;
- IDEA-B 84.027A, H027A170108 Fund (2610) – **(\$4,368)**;
- Voc. ED Basic Local Fund (2711) – **(\$9,393)**;
- Title IV, Part A Fund (2811) – **(\$12)**; and
- Disaster Recovery Fund (3027) – **(\$10,000)**.

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 Columbus Municipal 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: An entry at that time to cover potential negative fund balances would have resulted in positive cash balances, which is in violation of federal funds. These projected negative amounts were the result of outstanding purchase orders or outstanding claims payable which were not paid until a later date. These financial statements were accepted and cleared through Financial Exchange Transaction System.

Auditor’s Note: The amended budget should not have been presented to the Board with negative fund balances unless the actual fund balances were negative. Additionally, the District should have booked an accrual for its federal programs, which would have resulted in a zero-fund balance; due to, the District federal revenue should match its federal expenditures. The Financial Exchange Transaction System (FETS) acceptance does not negate ensuring the Board does not approve a budget with negative fund balances.

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(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.”

School Board Policy, Section D, Policy DJD – Expense Reimbursements, states, “Employees shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of such travel, subject to limitations placed on meals for intrastate and interstate official travel by the Mississippi Department of Finance and Administration and rules and regulations adopted by the Mississippi Department of Audit.

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

- Three meal reimbursements exceeded the maximum daily limit, which resulted in an overage in reimbursement; and
- Three instances where meals were reimbursed; however, the meals were included with registration.

Failure to have adequate controls surrounding the District’s reimbursements could result in waste, fraud, and abuse of public funds, and resulted in noncompliance with state law and the District’s Board policy.

Recommendation: We recommend the Columbus Municipal School District strengthen internal controls and ensure compliance by assuring all meal reimbursements are allowable, as required by state law and the District’s Board policy.

District’s Response: The Columbus Municipal School District will strengthen internal controls over the calculations used for meal reimbursement. The Columbus Municipal School District does not feel as though we can force an employee to partake in a meal they are unable to eat due to diet restrictions or personal taste.

Repeat Finding: No.

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Activity/Athletic 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 School Board adopt policies to govern the establishment and operation of all activity funds. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Applicable State Law: *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.

Section 37-7-301(s), Mississippi Code Annotated (1972), states, “The State Department of Education shall prescribe a uniform system of accounting and financial reporting for all school activity fund transactions.”

Accounting Manual for School Districts, Section F, Activity Funds, Extracurricular Events, prescribed by the *Mississippi Department of Education*, states, “The school board should develop and adopt a policy that establishes the amounts charged by the local schools for admission to extracurricular activity events. The policy should include football games, basketball games, baseball games and other similar extracurricular activity events. In the absence of a school board policy, the school principal does not have the authority to set admission charges for extracurricular activity events.”

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

- One instance where the admission price was changed without Board approval resulting in the District collecting **\$2,640** more than allowed;
- Admission fees were not Board approved with its Board policy; and
- The District changed ticket process systems in December 2021 and now 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 could result in a loss of assets and improper revenue recognition.

Recommendation: We recommend the Columbus Municipal School District strengthen internal controls and ensure compliance by assuring that admission prices and fees are Board approved, and included in its Board policy. Additionally, the District should ensure that all tickets purchased for extracurricular events do not require paying convenience fees, as required by state law and regulations.

District's Response: The Columbus Municipal School District will strive to follow correct procedures for Athletic Event Accounting. The Director has been put on notice that these reports are closely reviewed and board action must be taken for any changes in their receipts.

Repeat Finding: No.

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), Mississippi 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 related parties, the auditor noted one Board member did not recuse themselves during the approval of the hiring of their sister nor the annual budgets.

Recommendation: We recommend the Columbus Municipal School District ensure compliance by assuring all Board members recuse themselves during the vote of relatives within the third degree, as required by state law.

District's Response: The Columbus Municipal School District will remind the board members they should cease the practice of participating in the employment recommendation or budget approval that includes their relatives.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Purchasing Expenditures.

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(o), Mississippi Code Annotated (1972), states, "No contract or purchase as herein authorized shall be made for the purpose of circumventing the provisions of this section requiring competitive bids, nor shall it be lawful for any person or concern to submit individual invoices for amounts within those authorized for a contract or purchase where the actual value of the contract or commodity purchased exceeds the authorized amount and the invoices therefor are split so as to appear to be authorized as purchases for which competitive bids are not required."

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

- Two invoices were dated for the same date, department, and vendor Sports Specialty totaling **\$5,393** were possibly split to avoid obtaining quotes.
- One purchase was from Academic Technologies, without a second bid/quote, totaling **\$7,718**; and instances where second quotes were not received on purchases over \$5,000; and
- The School Board approved three vendor purchases that were other-than-the-lowest bids; however, there was no narrative and detailed calculation spread upon the minutes:
 - MISSCO - **\$11,249**;
 - Nearpod - **\$45,012**; and
 - 7 Mindsets - **\$118,000**.

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

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

District's Response: Academic Technology did not have a second quote and should be for **\$7,717.59** on Purchase Order 98132. Sports Specialty does appear to have been split, but it was honest. One order was for color guard and the other was for band.

Auditor's Note: If the District only received one bid/quote from Academic Technology, the District should have noted this in the Board's minutes to ensure compliance with purchasing laws and regulations.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Merchant – Specific Credit Cards.

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

Finding Detail: During the review of the School District’s credit cards, the auditor noted the Board did not approve the use of its merchant – specific credit card (Walmart).

Failure to approve merchant – specific cards resulted in noncompliance with state law.

Recommendation: We recommend the Columbus Municipal School District ensure compliance annually with state regulations in regards to approving the usage of its merchant – specific credit cards, as required by state law.

District’s Response: The Columbus Municipal School District will place upon the minutes of the regular board meeting at the beginning of each school year to approve all merchant specific cards used by the District.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Booster Club Fundraisers and School Sponsored Events.

Applicable State Law: *Mississippi Attorney General Opinion 1981 WL 39051*, states, “...Monies raised through activities that are a part of the school program and are partially financed with public funds or may be supplemented by public funds are considered public funds. For example, gate receipts for school athletic events are classified as public funds.” Since the funds were generated from a school program, the funds should be deposited within the District’s bank account not the Booster Club.

Finding Detail: During the review of the School District’s activity funds, the auditor noted one varsity basketball event that was sponsored by the Girls and Boys Basketball Booster Club. The District could not provide to OSA the number of tickets sold; however, the amount of revenue generated was **\$2,134**, which was deposited into a private entities bank account.

Failure to deposit gate receipts within the District’s depository resulted in the misappropriation of public funds, and noncompliance with state law.

Recommendation: We recommend the Columbus Municipal School District ensure compliance by assuring all revenue generated from school programs are properly deposited in the District’s depository, as required by state law.

District’s Response: The two booster clubs involved in this situation have both reimbursed the District in the amount indicated by the auditor. The documentation of receipt and bank deposits are attached. Further, all booster club presidents have been made aware that any admittance revenues must be deposited by the Columbus Municipal School District and will be tracked per sport in our accounting software.

Auditor’s Note: As stated by the District, the Boys Booster Club reimbursed **\$1,151**, which is supported by Check No. 550, and the Girls Booster Club reimbursed **\$983**, which is supported by Check No. 240.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over District – Owned School Bus Use.

Applicable State Law: *Section 37-41-27, Mississippi Code Annotated (1972)*, states. “The local school boards, subject to rules and regulations promulgated by the State Board of Education, may permit the use of publicly owned school buses for the transportation of participating students, teachers, coaches, and sponsors in connection with athletic events, events of boys’ and girls’ clubs, events of Future Farmers of America or 4-H Clubs and special events in connection with the schools which the boards a part of the educational program. The local school boards, subject to rules and regulations promulgated by the State Board of Education, may permit the use of publicly owned school buses for the use of publicly owned school buses for the transportation of citizens attending an air show or historic commemorative event held on a military base or military park located in the school district; provided that such determination shall be made upon the minutes of the school board and shall include an agreement with the military base or military park that it will indemnify and hold the school district harmless in any action regarding such transportation.”

Mississippi Attorney General Opinion No. 2009-00051, states, “We find no authority for the school board to authorize the use of publicly-owned school buses for purposes other than for certain school-related activities which the school board may consider as part of the educational program for students enrolled in the public schools and participants in such program”

Finding Detail: During the review of the School District’s Board minutes, the auditor noted the following exceptions with School Board approved four contracts with the City of Columbus Housing Authority and Columbus Air Force Base for the rental use of the District’s school buses and drivers:

- The School Board approved contracts with the Columbus Air Force Base for the transportation of individuals to historical airshow within the School District; however, the contract did not relieve the District of liability in the event of an accident during the transportation to this event; and
- The School Board approved contracts with the City of Columbus Housing Authority for a non-school sponsored event for the use of the District’s school buses.

Failure to ensure the contract with military base alleviated the District of liability during the transportation to the airshow resulted in noncompliance with state laws and regulations. Additionally, the failure to ensure there are not approved contracts with private entities for non-school sponsored events resulted in a violation of state law.

Recommendation: We recommend that the Columbus Municipal School District ensure compliance by assuring the District’s school buses are utilized for school-related activities, and assuring contracts with the military base hold the District harmless during the transport of individual to the airshow, as required by state law.

District’s Response: Should the Columbus Municipal School District ever enter into an agreement with the Columbus Air Force Base again to provide transportation to an air show, the District will ensure verbiage to “relieve the District of liability in the event of an accident” is added to the agreement. The District finds that the use of school buses for additional programs will further the educational purposes of the District, is in the best interest of its students, and supports the District’s educational mandate. In the future, we will ensure this verbiage is added to any and all organizational agreements.

Repeat Finding: No.

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 Statement of Economic Interest, the auditor noted three Board Members had not 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 Columbus Municipal 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, as required by law.

District’s Response: The Board Members have been put on notice concerning the importance of this reporting. The Board Secretary will have the task of personal reminders for our Board Members to meet this deadline.

Repeat Finding: No.

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

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.”

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

- One lease’s taxes were not current; however, the lease agreement was not terminated; and
- One lease payment for fiscal year 2022 was not paid; however, the lease agreement was not terminated.

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

Recommendation: We recommend the Columbus Municipal School District ensure compliance by assuring all taxes are current and lease payments are made in 60 days, as required by state law.

District's Response: The Columbus Municipal School District will research with the Tax Office for outstanding 16th Section taxes owed.

Repeat Finding: No.

Finding 12: 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 District has two shared townships where Lowndes County School District is the controlling school district; however, the District only supplied Lowndes County the list of educable children for one of the two shared townships.

Failure to file the all 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 the Columbus Municipal School District ensure compliance by assuring all educable child lists are prepared and filed with the Superintendents of each custodial district by December 31st of each year, as required by state law.

District's Response: The township in question does not contain any students for correspondence to exist between the districts. In the future, the Columbus Municipal School District will create and/or respond to correspondence with the Lowndes County School District to provide documentation the second township has been acknowledged and checked for student residency.

Auditor's Note: As noted in the law above, the educable child lists must be submitted to the custodial school annually. Although there are no children residing within those shared townships, the District is responsible for submitting the list for future documentation. Additionally, the Mississippi Secretary of State agrees there should be documentation no matter if there are zero students within the shared townships, for future references.

Repeat Finding: No.

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

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.

Accounting Manual for School Districts, prescribed by the *Mississippi Department of Education (MDE)*, 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 the 20 tested:

- Sixteen certified employees’ contracts were not included within their personnel file;
- Four certified employees’ certifications were not included within their personnel file;
- Four certified employees’ did not have criminal background checks within their personnel files; and
- The District obtained a background check from one certified teacher from their previous employer instead of obtaining their own as the District’s new hire;

Failure to obtain background checks of all new hires could result in a wrongful hire of an individual. Also, failure to maintain educator certifications, criminal background checks and contracts within personnel files resulted in noncompliance with state law.

Recommendation: We recommend the Columbus Municipal School District ensure compliance by assuring that all educator certifications, contracts, and criminal background checks are obtained and maintained in the personnel files of its employees, as required by state law.

District’s Response: The Columbus Municipal School District will strive to ensure all employee folders are complete with required data. All documents have been located and will be placed in the employee file.

Repeat Finding: No.

Finding 14: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

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

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

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 Employment 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’ PERS Form 4Bs, the auditor noted the following exceptions:

- Three retirees were paid more than the allowed salary by PERS, totaling **\$4,656**;
- The District did not have evidence of six PERS Form 4Bs being filed with PERS; and
- The District failed to pay the correct employer contributions to PERS for one retiree, which resulted in the District owing an additional **\$3,106** to PERS.

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

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

District’s Response: The Columbus Municipal School District responds to all PERS correspondence or notifications concerning employee Form 4Bs and records are now kept to show submission dates and time. In regards to the retirement contributions, we see that the payroll record had an error mistakenly entered on 03/03/2022 that impacted the remaining contributions.

Repeat Finding: No.

Finding 15: The School District Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *Section 25-1-12(1), Mississippi Code Annotated (1972)* and *Board Policy Code DH, Bonded Employees and Board Members*, 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(1), Mississippi Code Annotated (1972), states, “The bonds of all public officers required to give individual bond shall be ... A new bond in the amount required by law shall be secured at the beginning of each new term of office or every four (4) years, whichever is less.”

Section 25-1-15(2), Mississippi Code Annotated (1972), states, “The bonds of all public employees required to give individual bond shall be ... 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.”

Mississippi Attorney General’s Opinion No. 2016-00054, states that blanket bonds should specifically list each position and the individual the bond covers.

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

- Surety bonds for 25 employees were continuous bonds for an indefinite term;
- During Fiscal Year 2022, the District obtained blanket bonds for its cafeteria managers, school resource officers, and financial secretaries; however, the bond did not list the names of the individuals the bonds cover; and
- The District did not make a finding upon its Board minutes that certified teachers working as gatekeepers, financial secretaries, and cafeteria managers jobs were incidental to his or her employment and do not require bonds would be an occasional, not regularly recurring, handling of funds which is random and infrequent or immaterial amounts of money.

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 Columbus Municipal School District ensure compliance by assuring all employees that should be bonded are properly and sufficiently bonded, as required by state law.

District’s Response: The Columbus Municipal School District has canceled all "indefinite" bonds as of June 30, 2022. All bonds will be reissued as "term" bonds which will follow the contract date of the employee.

OSA Circular No. 16 specifies, "Public officers or employees who handles or has custody of public funds, by virtue of his or her office or employment unless such is incidental to his or her employment or job duties." This statement disqualifies our gate keepers, cafeteria managers, and those specific clerical staff from requiring a bond because the amount or action is incidental to their employment or job duties.

Auditor’s Note: Per OSA Circular No. 16, any person who in the regular course of their duties spends, receives, or has custody of public funds would require a bond. Therefore, they positions listed above must be bonded, unless the Board makes a finding upon its minutes that the public funds handled by these positions are immaterial and should not be bonded.

Repeat Finding: No.