

# COVINGTON COUNTY 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

October 31, 2023

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

Covington County School District  
1211 S. Dogwood Ave  
Collins, MS 39428

Dear Covington County School Board:

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

1. Strengthen Internal Controls and Ensure Compliance with State Law over Budgeted Expenditures and Budget Approvals;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Purchasing Expenditures;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Lease Deposits and Taxes;
5. Strengthen Internal Controls and Ensure Compliance with State Law over Activity Fund Revenue;
6. Ensure Compliance with State Law over Depository Bids;
7. Ensure Compliance with State Law over Merchant – Specific Credit Cards and Membership Cards;
8. Ensure Compliance with State Law over Ethics;
9. Ensure Compliance with State Law over Statements of Economic Interest;
10. Ensure Compliance with State Law over the Ad Valorem Tax Request Publication;
11. Ensure Compliance with State Law over Budget Certifications;
12. Ensure Compliance with State Law over Sixteenth Section Interest Transfers;
13. Ensure Compliance with State Law over Sixteenth Section Educable Child Lists;
14. Ensure Compliance with State Law over Scholarship Funds;
15. Ensure Compliance with State Law over Maintaining Background Checks in Personnel Files;
16. Ensure Compliance with State Law over the Purchase of Mississippi High School Activity Association (MHSAA) Statewide Passes; and
17. 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 **Covington County School District** to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

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

STEPHANIE PALMERTREE, CPA, CFE, CGMA  
Deputy State Auditor  
Office of the State Auditor

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

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

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

We identified certain deficiencies in internal control over financial reporting that we consider to be *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 laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

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

**Finding 1:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budgeted Expenditures and Budget Approvals.

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

**Applicable State Law:** *Section 37-61-19, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendents of school and the school board 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 School District's budget expenditures for fiscal year 2022, the auditor noted the following exceptions:

- The actual expenditures exceeded budgeted expenditures for the following two funds at fiscal-year end in the combined amount totaling **\$173,578**:
  - Fund 2830 (Forestry Escrow) – **\$12,850**; and
  - Fund 2901 (Educator in Residence State Grant) – **\$160,728**.
- The following four funds were not budgeted for in fiscal year 2022 in the combined amount totaling **\$601,867**:

- Summer Feeding Fund (2131) - **\$19,502**;
  - Unemployment Compensation Fund (2820) - **\$938**;
  - Russ Grant Fund (2903) - **\$353,348**; and
  - C.O.P.S. Grant Fund (2904) - **\$228,079**.
- The original 2021-2022 budget included the following ten funds reflecting a negative fund balance at year-end:
    - District Maintenance Fund (1120) – **(\$179,839)**;
    - SHS Cross Country Fundraiser Fund (1161) – **(\$206)**;
    - SHS Archery Fundraiser Fund (1162) – **(\$1,593)**;
    - 16S-9N-14W Fund (1844) – **(\$35,500)**;
    - School Food Service Fund (2110) – **(\$447,387)**;
    - Title VI – Rural Grant Fund (2311) – **(\$112,498)**;
    - EEF – Building & Buses Fund (2410) – **(\$20,889)**;
    - ESSER Funds – Cares Act Fund (2590) – **(\$165,775)**;
    - CTE ESSER Grant Fund (2597) – **(\$1,500)**; and
    - ESSER III Fund (2598) – **(\$8,904)**.
  - The amended 2021-2022 budget included the following 11 funds reflecting a negative fund balance at year-end:
    - Title I 1003-A Fund (2213) – **(\$225,168)**;
    - SIG 1003G Fund (2240) – **(\$17,559)**;
    - Title VI – Rural Grant Fund (2311) – **(\$67,877)**;
    - ESSER Funds – Cares Act Fund (2590) – **(\$7,851)**;
    - ESSER II Fund (2594) – **(\$4,999,440)**;
    - CTE ESSER Grant Fund (2597) – **(\$10,835)**;
    - ESSER III Fund (2598) – **(\$10,856,653)**;
    - ARP IDEA Fund (2599) – **(\$140,879)**;
    - ARP Preschool Fund (2600) – **(\$12,350)**;
    - Title I, Part A Fund (2811) - **(\$109,825)**; and
    - Russ Grant Fund (2903) – **(\$20,553)**.

The presentation of negative fund balances in the original and amended budgets presented to the Board was likely a lack of attention to appropriate budgeting practices. Although the funds were not negative at fiscal year ended June 30, 2022, the approval of the fund budgets with ending deficit fund balances could result in violation of state law.

**Recommendation:** We recommend the Covington County 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 state law requiring public school districts to present a balanced budget has historically been the touchstone on which the Covington County School District operates. In fiscal year 2022, the Covington County School District Board of Education was demanding the spending of what they deemed excess fund balance. In the amended budget, please note that the increase of the fund balance due to the frugal use and continual monitoring of expenses. The Covington County School District will present going forward a balanced budget without fail for annual approval. While the figures noted by the auditor appear concerning, all funds were received as reimbursements and at no time was the fiscal health of the school district in jeopardy.

**Repeat Finding:** No.

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**Finding 2:** The School District Should Ensure Compliance with State Law over Purchasing Expenditures.

**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. Management is responsible for properly safeguarding the assets of the School District and ensuring the terms of service contracts are met and adhered to at all times.

*School Board Policy, Section D, Fiscal Management, Policy DJEG – Purchase Orders and Contracts*, provides that the District to utilize within its purchase system requisitions, purchase orders, and receiving reports, which should be logged and maintained in its business office. Additionally, once purchasing law requirements are fulfilled, a purchase order should be issued, the issuance of which is an official notice to the vendor that you desire for the vendor to fill that order.

**Applicable State Law:** *Section 31-7-13(b), Mississippi Code Annotated (1972)*, requires the District to obtain at least two competitive written bids for purchases over \$5,000 but not over \$50,000 exclusive of freight and shipping charges. The District is required to accept the lowest and best competitive written bid.

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

- The District did not obtain quotes/bids for seven purchases totaling **\$101,653**:
  - 806 Technologies **\$ 6,000**
  - Commercial Stationary **\$ 6,396**
  - Computer Innovations **\$30,587**
  - HD Clutch Brake **\$19,599**
  - Kirk Construction **\$ 7,750**
  - Riddell All American **\$10,576**
  - Varsity Spirit Fashions **\$20,746**
- Two vendor payments were made without the issuance of purchase orders; and
- One purchase order was generated after the order was completed.

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

**Recommendation:** We recommend the Covington County School District ensure compliance by assuring all purchasing procedures are followed and monitored, as required by state law and its Board policy.

**District's Response:** Covington County School District will no longer upgrade a purchase order from a requisition for any purchases over **\$5,000** unless a quote or Board approval is attached electronically to the requisition.

**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:** Management is responsible for insuring that all travel reimbursements expenditures are correctly recorded, allowed, and documented, as required by the Department of Finance and Administration. Proper internal

controls would include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms. Proper internal controls would also include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms.

*School Board Policy, Section D, Policy DJD –Expense Reimbursements*, states, “Administrative personnel and others who have first been authorized by the superintendent to travel in the performance of their duties shall be advanced or reimbursed their expenses by the school district for such travel.”

**Applicable State Law:** *Section 25-1-83, Mississippi Code Annotated*, states, “It is further provided that no funds appropriated by the Legislature or received by any agency, department, or institution from any source whatever shall be used in defraying the expenses of any state employee, other than an officer or department head, in attending a convention, association, or meeting, unless such employee be duly authorized by prior approval in writing of the departmental head or officer in charge of such department, agency, or institution in strict accord with *Sections 25-1-79 and 25-1-81*. Each department, agency, or institution in its annual report to the Legislature shall separately show each association, convention, or meeting attended by any of its employees, the purposes thereof, the names of the employees attending, and the total cost to the state of such convention, association, or meeting.”

**Finding Detail:** Based on the review of the School District's travel reimbursements, the auditors noted the following exceptions:

- Ten instances where there was no prior approval for travel associated with conferences, associations or meetings. Per the District’s Board minutes, the Board approved on June 30, 2021, giving the Superintendent the authority to approve overnight and out-of-state-travel;
- Eight travel reimbursements were not properly signed for repayment;
- One employee's purpose of travel did not fall within the employee's job duties; and
- One expense reimbursement for a hotel stay was not supported by a receipted bill showing payment by employee.

Lack of internal controls could result in the fraud, loss, or misappropriation of public funds and resulted in noncompliance with state law.

**Recommendation:** We recommend that Covington County School District strengthen internal controls and ensure compliance by ensuring travel is properly approved and reimbursed, as required by state law and its Board policy.

**District’s Response:** The Superintendent will sign off on all travel reimbursements. The employee provided their receipt as proof of hotel payment. Reimbursement was based on that receipt.

**Auditor’s Note:** The receipt referred to was a reservation/confirmation. Although there was prepayment, this does not verify the stay nor the final amount that was paid. The hotel receipt should show the date of the hotel stay, the amount paid and the zero balance owed.

**Repeat Finding:** No.

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**Finding 4:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Lease Deposits and Taxes.

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

**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.”

**Finding Detail:** Based on the review of the School District's sixteenth section leases, the auditor noted the following exceptions:

- Two deposits were made more than three days after receipt of payment; and
- One leaseholder's taxes were not current; however, the lease agreement was not terminated.

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

**Recommendation:** We recommend the Covington County School District strengthen internal controls and ensure compliance by assuring all sixteenth section land taxes and deposits are as required by state law.

**District's Response:** Three deposits were made more than three days after receipt of payment due to the fact the HR Manager being out of the office. We are a small district and so in order to segregate our duties, she has been assigned to make deposits. To correct this problem in the future, our Assistant Superintendent will make any deposit when our Human Resource Manager is out. Effective immediately, our 16<sup>th</sup> Section Manager will check for any past due taxes before reassignment of leases. We already make it a practice once a year to use the delinquent tax list from the Tax Assessor's office to notify 16<sup>th</sup> Section lessees. We will give those 30 days to document payment of taxes before a cancellation is presented to the Board.

**Repeat Finding:** No.

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**Finding 5:** The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Activity Fund Revenue.

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

*School Board Policy, Section D, Policy Code DK – Student Activities Fund Management*, states, “All activity funds received by a local school must be deposited into its activity fund bank account. The principal must maintain a permanent three-part receipt book in which to record all receipts...All these prenumbered receipts must be accounted for.”

**Applicable State Law:** *Accounting Manual for School Districts*, prescribed by the *Mississippi Department of Education*, states, “No later than five working days after the close of the month, the principal will deliver to the central office a transmittal report of all activity fund transactions for the preceding month... The transmittal report will also contain other pertinent information for each transaction, such as date, receipt number, check number, description and the financial accounting code. Along with the transmittal report, the principal is required to submit to the central office copies of all

receipts issued and invoices and statements for which disbursements were made. The central office will be responsible for reviewing the transmittal report for accuracy and completeness and entering the information in the financial accounting system.”

*Accounting Manual for School Districts*, prescribed by the *Mississippi Department of Education*, states, “Pre-numbered tickets shall be used at all extracurricular events for which a fee is charged for admission and it is anticipated that the event will generate gross receipts of more than \$100. The school board must adopt a policy regarding the use of and accounting for pre- Revised 5/2021 numbered tickets. The policy must contain procedures designed to provide adequate controls to ensure compliance with board policy. The principal will be required to account for all tickets by completing a School Event Receipt Form.”

**Finding Detail:** Based on the review of the School District's activity fund revenue, the auditor noted the following exceptions:

- Eighteen game deposits could not be traced to a receipt;
- Eighteen game deposits were more than tickets sold, totaling **\$135**;
- Sixteen game deposits could not be traced to a transmittal sheet;
- Twelve games' ticket sale sheets had no beginning and/or ending ticket numbers;
- Two games' ticket sale sheets did not have the number of tickets sold nor ticket numbers;
- Two game deposits were less than tickets sold, totaling **\$701**; and
- Two game deposits were made more than three days after receipt.

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

**Recommendation:** We recommend the Covington County School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure receipts from all activity/athletic fund revenue collections are safeguarded, properly recognized, deposited, and recorded, as required by state law.

**District's Response:** A revised procedure has been implemented as of December 1, 2022 to prevent this type of finding. The current procedure states when there is a discrepancy ten dollars or greater on the event accounting form, it must be explained by the Principal to the Superintendent. Bookkeepers may be held responsible for the discrepancy if proper procedures are not followed. One item in question appears to be an oversight by the auditor. The beginning cash in the box was \$700 and was deducted by the bookkeeper in order to maintain that cash box balance before the deposit was made.

**Auditor's Note:** The one item in question was not an oversight by OSA. The number of tickets sold on the ticket sale sheet provided by the School District did not match the amount of revenue that should have been received for the two games tested. The calculation is based off of the number of tickets sold multiplied by the price per ticket. If the startup cash was included in the game deposits, it would have increased the deposit amount not leave a deficit.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 6:** The School District Should Ensure Compliance with State Law over Depository Bids.

**Applicable State Law:** *Section 37-7-333, Mississippi Code Annotated (1972)*, states, “All such allotments or funds shall be placed in the depository or depositories selected by the school board in the same manner as provided in *Section 27-105-305* for the selection of county depositories. Provided, however, the annual notice to be given by the school board to financial

institutions may be given by the school board at any regular meeting subsequent to the board's regular December meeting but prior to the regular May meeting. The bids of financial institutions for the privilege of keeping school funds may be received by the school board at some subsequent meeting, but no later than the regular June meeting; and the selection by the school board of the depository or depositories shall be effective on July 1 of each year. School boards shall advertise and accept bids for depositories, no less than once every three (3) years, when such board determines that it can obtain a more favorable rate of interest and less administrative processing. Such depository shall place on deposit with the superintendent of schools the same securities as required in *Section 27-105-315*.

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

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

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

- On June 14, 2021, the Board approved Peoples Bank and PriorityOne Bank as its depositories for fiscal year 2022. The depositories were approved with non-interest bearing accounts; therefore, the sixteenth section principal funds are not able to collect interest, as required by state law; and
- Two bank accounts on the District's Public Depositor Annual Report for the Accounts Payable and Payroll Clearing funds are with Citizens Bank, which is not Board approved for fiscal year 2022.

Failure to have inadequate internal controls surrounding its depositories resulted in noncompliance with state laws and regulations.

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

**District's Response:** Due to banking timelines for accruing interest on deposits, Covington County School District was erroneously given an interest payment on a closed account by Citizens Bank. The bank has classified Covington County School District's accounts as dormant and retrieved the interest payments in the amount of \$0.17 and \$0.11.

**Repeat Finding:** No.

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

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

*Mississippi Procurement Manual, Chapter 10, 10.112.03, Merchant – Specific Credit Cards*, prescribed by the *Mississippi Department of Finance and Administration*, requires before any governing body may obtain a merchant specific credit card

there must be a written justification for the need of the card to the Office of Purchasing, Travel and Fleet Management. This justification should be spread upon the minutes of this Board.

*Mississippi Procurement Manual, Chapter 10, 10.112.04, Merchant – Specific Credit Card Minimum Requirements*, prescribed by the *Mississippi Department of Finance and Administration*, states, “Upon receipt of the monthly statement, the cardholder shall review all charges to assure accuracy, complete applicable dispute documents, reconcile the statement with copies of receipts and order logs, and approve and sign the statement... The appropriate agency official shall maintain a file with the statements and all applicable receipts and dispute documents.”

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

- Seven instances where the district incurred late fees and interest from lack of paying off balance;
- Two instances where the district surpassed the **\$1,000** credit limit for the card;
- One purchase where the district paid state taxes; and
- The School Board did not approve the use of its Sam’s Card and does not have on file a justification for the use of the Sam’s card that would show the anticipated savings.

Failure to approve merchant – specific cards and maintain on file the justification for the use of a Sam’s card resulted in violation of state law and regulations.

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

**District’s Response:** Effective October 1, 2022, we will no longer use Sam’s Club Card for school – level purchases. At the regularly scheduled October 17<sup>th</sup> School Board meeting, approval will be sought for the District to utilize a Sam’s credit account. We have been in contact with Sam’s on numerous occasions concerning a clerical error made by Sam’s credit but have not been able to remedy the error. We will continue to pursue a correction.

**Repeat Finding:** No.

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

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

*Mississippi Ethics Opinion 19-014-E*, states, “When an employee works under the direct supervision of his or her relative, a violation of *Section 25-4-105(1), Miss. Code of 1972*, is virtually inevitable.”

**Finding Detail:** During the review of the School District’s related parties, the auditor noted that one Principal is the direct supervisor of their sibling.

Failure to ensure the Principal does not supervise their relative within the first degree resulted in noncompliance with state law.

**Recommendation:** We recommend the Covington County School District ensure compliance by assuring all personnel procedures are in compliance with state law and regulations. Additionally, this matter will be forwarded to the *Mississippi Ethics Commission*.

**District's Response:** Beginning in July 2023, the Principal will no longer be the direct supervisor of their sibling. The evidence of this change will be noted in the Board minutes.

**Repeat Finding:** No.

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**Finding 9:** The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

**Applicable State Law:** *Section 25-4-25(1)(c), Mississippi Code Annotated (1972)*, states that required Statements of Economic Interest should be filed as follows for those newly appointed: "Persons who are required to file a statement because of appointment to fill a vacancy in an office or required to file under *Section 25-4-25(d)* and *(e)* shall file such statement within thirty (30) days of their appointment."

*Section 25-4-29(2), Mississippi Code Annotated (1972)*, states, "Any person who fails to file a statement of economic interest within thirty (30) days of the date the statement is due shall be deemed delinquent by the commission. The commission shall give written notice of the delinquency to the person by United States mail or by personal service of process. If within fifteen (15) days of receiving written notice of delinquency the delinquent filer has not filed the statement of economic interest, a fine of Fifty Dollars (\$50.00) 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. The commission may enforce the judgment for the benefit of the State General Fund for the support of the Mississippi Adequate Education Program in the same manner as is prescribed for other civil judgments."

**Finding Detail:** During the review of the School District's Statements of Economic Interest, the auditor noted that one Board member who was appointed during fiscal year 2022 did not file a Statement of Economic Interest within 30 days of appointment.

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

**Recommendation:** We recommend that the Covington County School District ensure compliance by ensuring that newly appointed School Board Members file their Statement of Economic Interest within 30 days of their appointment, as required by state law.

**District's Response:** The District will, going forward, add this indicator to the monthly Board calendar for attention. I have instructed the Administrative Assistant to email the Board member.

**Repeat Finding:** No.

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**Finding 10:** The School District Should Ensure Compliance with State Law over the Ad Valorem Tax Request Publication.

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

**Finding Detail:** During the review of the School District's ad valorem advertisement, the auditor noted the following exceptions the District included additional language within the ¼ page advertisement.

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

**Recommendation:** We recommend the Covington County School District ensure compliance by assuring its ad valorem tax advertisement is in proper form, as required by state law.

**District's Response:** The specific language that is shown in accounting annual will be used for ad valorem advertisements.

**Repeat Finding:** No.

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**Finding 11:** The School District Should Ensure Compliance with State Law over Budget Certifications.

**Applicable State Law:** *Section 37-61-9(1), Mississippi Code Annotated (1972)*, states, "On or before the fifteenth day of August of each year, the local school board of each school district, with the assistance of the superintendent of schools, shall prepare and file with the levying authority for the school district, as defined in *Section 37-57-1*, at least two (2) copies of a budget of estimated expenditures for the support, maintenance and operation of the public schools of the school district for the fiscal year commencing on July 1 of such year. Such budget shall be prepared on forms prescribed and provided by the State Auditor and shall contain such information as the State Auditor may require."

**Finding Detail:** During the review of the School District's budget certification, the auditor noted that the District did not file its fiscal year 2022 budget certification with the Covington County taxing authority by August 15, 2021.

Failure to file the original budget with the levying authority by August 15<sup>th</sup> could result in the levying of insufficient funds for the District's budget, and resulted in noncompliance with state law.

**Recommendation:** We recommend the Covington County School District ensure the original budget is certified with the tax levying authority by August 15<sup>th</sup>, as required by state law.

**District's Response:** Going forward, the District Board calendar will serve as a bi-monthly reminder of the budget timeline. The Superintendent and the Business Manager will meet bi-monthly and review the calendar. Following this process and the resetting accountability, this finding will not be repeated.

**Repeat Finding:** No.

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**Finding 12:** The School District Should Ensure Compliance with State Law over Sixteenth Section Interest Transfers.

**Applicable State Law:** *Section 29-3-117, Mississippi Code Annotated (1972)*, states, "All expendable sixteenth section revenues to which a school district shall become entitled, as provided in *Section 29-3-115* through *29-3-123* from annual rents, interest and other sources shall be paid into the maintenance or building fund of the school district entitled thereto on order of the board of education."

**Finding Detail:** During the review of the School District's sixteenth section transfers, the auditor noted that on December 16, 2021 the Board approved to transfer **\$6,000,000** from the District's sixteenth section principal funds to a 6-month CD as an investment. However, it was noted that **\$201,988** of the approved amount to be transferred was from the sixteenth section interest fund not the principal funds, which was a violation of the Board order.

Failure to ensure there was an accurate Board order spread upon the minutes for the transfer from the sixteenth section interest fund resulted in a violation of state law.

**Recommendation:** We recommend the Covington County School District ensure compliance by assuring all transfers of sixteenth section revenue are performed per the approved Board order, as required by state law and regulations.

**District's Response:** Going forward the specific fund will be identified to the Board for approval when monies are invested and/or moved by the Business Office. Note: The six million figure was invested in response to the 0% interest the Covington County School District deposits were rendering due to the economy. The investment was an attempt to recoup lost interest revenue by purchasing a C.D.

**Repeat Finding:** No.

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

**Applicable State Law:** *Section 29-3-121, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year as provided by *Section 29-3-119, Mississippi Code Annotated (1972)*."

**Finding Detail:** During the review of the School District's educable child lists, the auditors noted the 2021 educable child list submitted to Smith County School District 2022 was not accurate nor complete.

Failure to file an accurate and complete educable child list with the custodial school district could result in forfeiting funds that the District would otherwise be entitled to and resulted in noncompliance with state law.

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

**District's Response:** A review of procedures for determining the correct sections that are shared and contain school age children enrolled in the Covington County Schools revealed an additional step should be added. Going forward, the Assistant Business Manager will compare the list of students in the Student Information System showing what township each child resides in to the list of townships that are 16<sup>th</sup> section property ad shared with other counties. The Business Manager will review the final list and notify counties.

**Repeat Finding:** No.

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**Finding 14:** The School District Should Ensure Compliance with State Law over Scholarship Funds.

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

**Finding Detail:** During the review of School District's funds and bank accounts, the auditor noted that the Challenger Scholarship, Amanda Kate Faler Scholarship, and N.T. Bullock Scholarship funds are within the District's District Maintenance bank balance and is maintained by the School District. Per the *AG Opinion 1980 WL 28797*, there is no authority where the School District is approved to do so.

**Recommendation:** We recommend the Covington County School District ensure compliance by assuring that it does not maintain scholarship funds, as required by state law.

**District's Response:** The accounts were closed at the end of fiscal year 2022. There has been no activity in these accounts since 2018.

**Auditor's Note:** Although the accounts were closed, there are still balances on the District's books for scholarship funds and are included in the District Maintenance bank reconciliation at June 30, 2022. The funds should no longer be maintained by the District.

**Repeat Finding:** No.

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**Finding 15:** The School District Should Ensure Compliance with State Law over Maintaining Background Checks in 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."

**Finding Detail:** Based on the review of the School District's educator personnel files, the auditor noted five out of 20 criminal background checks could not be found within the educators' personnel files.

Failure to obtain background checks of all new hires could result in a wrongful hire of an individual, and resulted in noncompliance with state law.

**Recommendation:** We recommend the Covington County School District ensure compliance by assuring all criminal background checks are obtained and maintained in the personnel files of its employees, as required by state law.

**District's Response:** As of fall of 2022, all background checks are conducted through the HR department. The HR Director includes the processing of those check as a part of the hiring package checklist. Background checks are kept in the payroll office. The missing background checks were a product of the previous system. The changes in how background checks are conducted and documented were a corrective action to that previous system.

**Repeat Finding:** No.

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**Finding 16:** The School District Should Ensure Compliance with State Law over the Purchase of Mississippi High School Activity Association (MHSAA) Statewide Passes.

**Applicable State Law:** *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 revenue, the auditors noted the following exceptions:

The District paid for MHSAA state passes for the following five District employees without being reimbursed by the employees, totaling **\$150**:

- One School Resource Officer;
- One Counselor;
- One Board member;
- One Bookkeeper; and
- One Secretary.

Failure to be reimbursed for the purchase of MHSAA state passes for District employees other than Game Administrators, Coaches, Superintendent, Athletic Director, and High School and Middle School Principals resulted in an illegal donation. Additionally, the purchase of passes for spouses of District employees is considered an illegal donation.

**Recommendation:** We recommend Covington County School District ensure compliance by assuring the payment of MHSAA state passes for District personnel other than Game Administrators, Coaches, Superintendent, Athletic Director, and High School and Middle School Principals are reimbursed directly to the District to avoid making an illegal donation to public officials or servants.

**District’s Response:** Each eligible position will be confirmed by the Director of Operations. He will sign off prior to payment following OSA guidelines. Any ineligible person that has been identified will be invoiced by the District for payment by July 31, 2022 for school year 2021-2022.

**Repeat Finding:** No.

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**Finding 17:** 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.”

*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 auditor noted the following exceptions:

- The District's blanket bonds for its gate keepers and cafeteria cashiers do not list the names of the individuals the bonds cover; and
- The District's blanket bonds for its gate keepers and cafeteria cashiers do not list an expiration date for their bond term.

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 correctly and sufficiently bonded resulted in noncompliance with state law.

**Recommendation:** We recommend the Covington County School District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by state law.

**District's Response:** The bonding agent has been informed that their practice of not requiring an expiration date on the blanket bond for cashiers and gatekeepers is not in compliance with state auditor findings. Beginning July 1, 2023, all bonds will have an expiration date. The blanket bond for gatekeepers listing specifically what employees are covered will be done per game using a bond reference sheet that ties the bond identification number to the employee that worked the event. These will be filed monthly with the bonds and will be part of school bookkeeper monthly reporting.

**Repeat Finding:** No.

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**End of Report**