

GEORGE COUNTY SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

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

SHAD WHITE, CFE
State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*



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

February 12, 2024

Limited Internal Control and Compliance Review Management Report

George County School District
5152 Main Street
Lucedale, MS 39452

Dear Members of the George County School Board:

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

1. Strengthen Internal Controls over Activity/Athletic Fund Revenue;
2. Ensure Compliance with State Law over Monthly Financial Reports;
3. Ensure Compliance with State Law over Purchasing and Payment of Invoices;
4. Ensure Compliance with State Law over Sixteenth Section Lease Payments;
5. Ensure Compliance with State Law over the Ad Valorem Tax Request Publication;
6. Ensure Compliance with State Law over Criminal Background Checks;
7. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
8. 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 **George 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, reading "Charlotte L. Duckworth".

Charlotte L. Duckworth
Director of Compliance Audit
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the **George 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 a *significant deficiency* in internal control. These matters are noted under the heading **SIGNIFICANT DEFICIENCY**.

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**.

SIGNIFICANT DEFICIENCY

Finding 1: The School District Should Strengthen Internal Controls over Activity/Athletic Fund Revenue.

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

School Board Policy, Section D, Fiscal Management, Policy DK, Student Activities Fund Management, states, "A person remitting activity funds to the principal for deposit will be given the original receipt, the second copy will be attached to the transmittal report to the central office, and the third copy will be kept in the book and on permanent file in the principal's office. All of these pre-numbered receipts must be accounted for ... All funds collected within the school must be deposited daily..."

Finding Detail: During the review of School District's activity funds, the auditor noted three games deposits were not made in a timely manner.

Inadequate internal controls related to athletic fund revenue depositing could result in a loss of assets and improper revenue recognition.

Recommendation: We recommend the George County School District strengthen internal controls by implementing adequate policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: George County School District addressed the timely deposit issue with school personnel. A plan is in place for a backup secretary to make the deposits if the secretary is out.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Ensure Compliance with State Law over Monthly Financial Reports.

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

Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board states that, "at minimum, the Superintendent should provide reconciled bank statements, a statement of revenues and expenditures, current budget status, a cash flow statement by month, and a combined balance sheet or current fund equity balances."

Finding Detail: During the review of the School District's Board minutes, the auditor noted the monthly financial reports for fiscal year 2022 were not spread upon the Board minutes.

Failure to submit monthly financial reports to the School Board could result in the loss or misappropriation and resulted in noncompliance with state law and regulations.

Recommendation: We recommend the George County School District ensure compliance by assuring all financial reports are submitted to the School Board monthly and spread across its minutes, as required by state law and regulations.

District's Response: The financials were attached to the supporting documents however they were not spread in the actual minutes. George County School District now spreads the required financial reports across the minutes.

Repeat Finding: No.

Finding 3: The School District Should Ensure Compliance with State Law over Purchasing and the Payment of Invoices.

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 31-7-305(2), Mississippi Code Annotated (1972), states, "All public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks no later than forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods or services."

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

- Two invoice payments were not made within the 45 days of the invoice date; and

- The District purchased iPads from Apple Inc. totaling **\$10,315**; however, there was no evidence of bid/quotes.

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 George County School District ensure compliance by assuring purchasing guidelines are followed and monitored, as required by state law.

District's Response: Due to a medical emergency two invoices were not paid within 45 days. George County School District has a procedure in place to monitor and ensure all invoices are paid within 45 days. Additional steps are taken to ensure two quotes are attached to qualifying requisitions before upgraded to a purchase order.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Payments.

Applicable State Law: *Section 29-3-57, Mississippi Code Annotated (1972)*, states, "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 land leases, the auditor noted one lease payment was more than 60 days late; 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 George County School District ensure compliance by assuring all lease payments are made within 60 days of their due dates, as required by state law.

District's Response: George County School District was working with the Secretary of State office getting the contract correct for both parties. George County School District is in constant communications with the Secretary of State's office to ensure accuracy for all 16th section leases.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Law over the Ad Valorem Tax Request Publication.

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

Section 27-39-207(2)(b), Mississippi Code Annotated (1972), states, "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 District included additional language within the ¼ page advertisement not specified in state law.

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, an escrow, and resulted in noncompliance with state law.

Recommendation: We recommend the George 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 District will be more diligent to ensure additional information is not included within the ad.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Criminal Background Checks.

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

Finding Detail: During the review of the School District's personnel files, the auditor noted two certified teachers' personnel files did not have evidence of background checks.

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 George County School District ensure compliance by assuring criminal background checks are obtained and maintained in the personnel files of its employees, as required by state law.

District's Response: The two teachers without background checks were from previous administration. George County School District currently has a three step checklist to ensure all background checks have been performed on each new employee.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

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

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

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

- Fourteen PERS Form 4Bs did not have evidence of being filed with PERS;
- Eight PERS Form 4Bs did not have evidence of the retiree’s retirement date; therefore, OSA could not determine if the retiree was rehired before 90 days after retirement;
- Two retirees were paid more than the allowed salary by PERS, totaling **\$6,626**; and
- One PER Form 4B did not have evidence of the retirement salary; therefore, OSA could not determine if the retiree was paid more than the PERS allowed salary.

Failure to file the Form 4B, as required by PERS, and comply with *Section 25-11-127(4)* could result in overpayment of retiree and the School District being assessed penalties by PERS.

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

District’s Response: George County School District has a new payroll specialist who ensures all forms are completed in their entirety. All forms are now submitted immediately upon receipt. Retirees are not allowed to work until the form is on file and completed.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Surety Bonds.

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

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

Section 37-6-15, Mississippi Code Annotated (1972), states, “Before entering upon the discharge of the duties of his office, each member of the school board shall give a surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety, to be payable conditioned and approved in the manner provided by law. The school board may execute a blanket bond for each school district official and employee (including school business managers and any other employee

who receipts and/or disburses school district funds) in the penalty of Fifty Thousand Dollars (\$50,000), unless a different penalty is prescribed by statute, to be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund.”

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

- One Board member’s surety bond was a rider instead of an official bond; and
- All gate workers that handle cash were not bonded.

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 George County School District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by state law.

District’s Response: The original bond had incorrect number of years. George County School District requested a correction from the surety company. They attached a rider as the correction. However, since then George County School District did request and receive a new bond. Going forward George County School District will not accept riders from the surety company.

Repeat Finding: No.

End of Report