

# HUMPHREYS 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*





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

May 3, 2024

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

Humphreys County School District  
1133 Calhoun Avenue  
Yazoo City, MS 39194

Dear Members of the Humphreys County School Board:

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

1. Strengthen Internal Controls and Ensure Compliance with State Law Regarding the Superintendent's Use of Public Funds;
2. Strengthen Internal Controls Regarding Activity/Athletic Fund Cash Receipts and Deposits;
3. Strengthen Internal Controls Regarding Segregation Duties and the Internal Control Environment;
4. Strengthen Internal Controls Regarding Professional Service Contracts;
5. Strengthen Internal Controls and Ensure Compliance with State Law Regarding the Qualifications of the Chief Finance and Business Manager Position;
6. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Stipends and Reimbursements;
7. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approvals and Procedures;
8. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Teacher Incentive Programs;
9. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Open Board Meetings, Access, and Maintenance of Board Minutes;
10. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Credit Card Usage;
11. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Bank Reconciliations and Investment Accounts;
12. Ensure Compliance with State Law Regarding Unused Accumulated Leave;
13. Ensure Compliance with State Law Regarding Fuel Cards;
14. Ensure Compliance with State Law Regarding Contractor Ethics;
15. Ensure Compliance with State Law Regarding Monthly Financial Reports;
16. Ensure Compliance with State Law Regarding Purchasing Procedures, Invoice Payments, and Expenditure Coding;
17. Ensure Compliance with State Law Regarding Ad Valorem Tax Request Publication and Escrow;
18. Ensure Compliance with State Law Regarding Unemployment Compensation Fund;
19. Ensure Compliance with State Law Regarding District – Owned Building Use;
20. Ensure Compliance with State Law Regarding Sixteenth Section Lease Payments, Taxes, and Appraisals;
21. Ensure Compliance with State Law Regarding Sixteenth Section Shared Township Revenue;
22. Ensure Compliance with State Law Regarding the Sixteenth Section Educable Child Lists;
23. Ensure Compliance with State Law Regarding the Annual Sixteenth Section School Trust Land Report;

24. Ensure Compliance with State Law Regarding the Education Enhancement Fund (EEF) Pledge;
25. Ensure Compliance with State Law Regarding Criminal Background Checks, Supplemental Contracts, and Board Approval;
26. Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees;
27. Ensure Compliance with State Law Regarding Bereavement Leave;
28. Ensure Compliance with State Law Regarding Surety Bonds;
29. Ensure Compliance with State and Federal Law Regarding District – Owned Vehicles; and
30. Ensure Compliance with Federal Law Regarding the Children’s Internet Protection Act (CIPA).

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 our recommendations enable the **Humphreys County School District** to accomplish its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,



**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 **Humphreys 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. 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 *material weakness* in internal control and certain deficiencies in internal control that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **MATERIAL WEAKNESS** and **SIGNIFICANT 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**.

Also, while performing our review, we noted an instance of noncompliance with federal law that require the attention of management. This matter is noted under the heading **INSTANCE OF NONCOMPLIANCE WITH FEDERAL LAW**.

Terms used in this Report.

OSA- *Office of the State Auditor*

AGO – *Attorney General's Office*

DFA – *Mississippi Department of Finance Administration*

MS AG Op. – *Mississippi Attorney General's Opinion*

COSO - *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission*

District – *Humphreys County School District*

MASD – *Mississippi Achievement School District (Yazoo City and Humphreys School Districts)*

MDEAMSD – *Mississippi Department of Education Accounting Manual for School Districts*

Section – *Mississippi Code Annotated (1972)*

---

## **MATERIAL WEAKNESS**

**Finding 1:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding the Superintendent's Use of Public Funds.

**Internal Control Deficiency:** Management is responsible for implementing proper internal controls regarding the cash disbursement functions and use of travel and procurement cards.

**School Board Policy:** *Section D, Fiscal Management, Policy Code DJI, Use of District Credit Cards*, states, "District-issued credit cards may be used for business purposes, only in conjunction with the employee's or officer's duties, and only in accordance with district policy and state and federal law. If an employee or officer uses a district issued credit card for personal purchases/transactions in violation of this policy, the cost of such purchase/transactions will be the financial

responsibility of that employee or officer will be expected to reimburse the district for full amount of the unauthorized purchase/transactions...”

**Applicable State Law:** *Section 31-7-9(b)*, “The Office of Purchasing, Travel and Fleet Management may adopt purchasing regulations governing the use of credit cards, procurement cards and purchasing club membership cards to be used by state agencies, governing authorities of counties and municipalities, school districts and the Chickasawhay Natural Gas District. Use of the cards shall be in strict compliance with the regulations promulgated by the office. Any amounts due on the cards shall incur interest charges as set forth in *Section 31-7-305* and shall not be considered debt.”

**Applicable Administrative Guidance:** *Mississippi State Procurement Card Guidelines, Section XI, Prohibited Purchases*, provides that the procurement card shall not be used to purchase travel related expenses, contractual services, cash advances, radioactive, explosive, or other hazardous material, items for personal use, alcoholic beverages, gifts, items on back order, state taxes, or entertainment.

*Mississippi State Travel Card Guidelines Policy and Procedure Manual, Section 110, Unauthorized Expenses*, prohibits its use in the purchase of non-entity employees, business related airfare combined with personal airfare, fuel for vehicles other than rental, cash advances, first class and business class travel, travel expenses for traveling companions or spouses, food and beverages, personal items, laundry, personal call, any purchase for which the entity does not receive direct benefit, unauthorized total incidentals, movies, meals, alcohol, room service, and any other non-lodging expenses.

**Finding Detail:** During the review of the Superintendent’s use of both procurement and travel cards, the auditor noted the following exceptions:

- Two procurement cards and one travel card were in the name of the Superintendent. These cards were never signed in nor out and were in the Superintendent’s possession. These cards were used for their travel expenses rather than the expenses being advanced or reimbursed;
- The auditor noted the procurement card had the following exceptions:
  - Five purchases were missing actual receipts, totaling **\$321**;
  - Two purchases did not have a purchase order, totaling **\$590**;
  - Seven purchases were made while traveling that are disallowed:
    - **\$212** for food (Jackson, Texas, Tennessee, and California)
    - **\$64** in parking fees.
- The auditor noted the travel card had the following exceptions:
  - The District did not maintain corroborating evidence of professional development;
  - Travel of the Superintendent in and out of state was not noted in the Board Minutes;
  - Seven travel purchases for Uber Trips and earbuds did not have receipts, totaling **\$273**;
  - One purchase from the Renaissance Hotel was missing the receipt, and there was no description of the purchase, totaling **\$74**; and
  - The following purchases were made during travel that are disallowed:
    - Pantry - **\$5**
    - Earbuds - **\$2**
    - State Taxes - **\$179**
    - Food - **\$148**.

Failure to have adequate controls surrounding the District’s procurement card purchases 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 District strengthen internal controls by implementing adequate policies and procedures concerning procurement and travel usage to ensure compliance with State Law and Board Policy.

**District's Response:** The District will implement and enforce policies and procedures to strengthen controls concerning credit card usage.

**Repeat Finding:** No.

---

## **SIGNIFICANT DEFICIENCIES**

**Finding 2:** The District Should Strengthen Internal Controls Regarding Activity/Athletic Fund Cash Receipts and Deposits.

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

**Applicable Administrative Guidance:** *MDEAMSD, Section B, Miscellaneous Issues, Subject E – Receipt Files*, provides: “All monies shall be receipted to the school district utilizing pre-numbered receipts (two parts) and be maintained in a bound book or ledger. Under no circumstance shall monies be deposited to any bank account without a proper receipting of such monies. Monies should be deposited to the bank timely (based on the district’s policy). Any documentation necessary to support the receipts shall be maintained on file. All receipts shall include date, received from, amount, account classification and signature of receiver, at a minimum. Electronic transfers of funds should also have receipts assigned for reporting purposes. Receipt files should be prepared and filed by month. These files should contain receipts filed in numerical order along with supporting documentation for each receipt.”

*MDEMASED, Section F, Activity Funds, Extracurricular Events*, provides: “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. Pre-numbered tickets, whether paper or electronically issued 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-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 (page F-14 of this section).”

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

- One deposit was posted to the general ledger, totaling **\$1,554**; however, there was no other documentation on file within the District to determine the source;
- There was a net shortage of **\$9** between deposits and ticket sales for all varsity basketball and football games;
- Two receipts were dated after monies were deposited;
- Seven receipts were not maintained within the District; therefore, the auditor could not compare deposits to receipts;
- 21 ticket sale event forms were missing receipts;
- Five receipts were issued by the District employee working the event instead of the Principal;
- Ten ticket sale event forms were not signed by the Principal or Athletic Director;
- 14 transmittal forms were not completed nor submitted to the Central Office within five days of the preceding month.

Inadequate internal controls related to activity fund revenue collections, properly receipting, and depositing could result in a loss of assets and improper revenue recognition.

**Recommendation:** We recommend the District strengthen internal controls by enforcing policies and procedures to ensure receipts from all activities are safeguarded, adequately recognized, and recorded.

**District's Response:** The District will strengthen controls and implement policies and procedures to ensure receipts from all activities are safeguarded, adequately recognized, and recorded.

**Repeat Finding:** No.

---

**Finding 3:** The District Should Strengthen Internal Controls Regarding Segregation of Duties and the Internal Control Environment.

**Internal Control Deficiency:** The *COSO* specifies that a satisfactory control environment is only effective when adequate control activities are in place. An effective system of internal controls should include adequate segregation of duties. A well-designed system of internal controls should include segregating job duties to the greatest extent possible.

**Finding Detail:** Based on the review of the District's internal control environment, the auditor noted the following internal control deficiencies:

- The Accounting Clerk collects cash, prepares deposits, takes deposits to the bank, and enters receipts into the general ledger;
- The Superintendent's signature can be generated without approval; and
- Journal entries are not reviewed by an independent reviewer.

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

**Recommendation:** We recommend the District strengthen internal controls by implementing effective and proper segregation of duties for collecting and depositing monies at all school locations.

**District's Response:** The District will strengthen internal controls by ensuring all policies and procedures are in place and by ensuring those policies and procedures are followed.

**Repeat Finding:** No.

---

**Finding 4:** The District Should Strengthen Internal Controls Regarding Professional Service Contracts.

**Internal Control Deficiency:** The *COSO* specifies that a satisfactory control environment is only effective when adequate control activities are in place. Management is responsible for properly safeguarding the District's assets and ensuring the terms of professional service contracts are met and adhered to.

**Finding Detail:** Based on the review of the District's contracts, the auditor noted that the quote for the contract for computer technology consulting services with Keryx 812 Group, Inc. detailed that the services performed and provided would be in-person, 3.5 days per week, with the remaining days to be performed remotely. This contract was estimated at **\$89,300**. The auditor noted the following exceptions pertaining to the performance of these services:

- The contractor was unable to provide travel documentation to verify their arrival at the District or their return to their home base in Chicago, Illinois;
- Invoices submitted did not specify whether the services were provided in-person or remotely;
- The sign-in sheets provided by the District from January 1, 2022, to June 7, 2022, were compared to the contractor's spreadsheet and timesheets. The following discrepancies were noted:

Discrepancies		
Time Period	Contractor Documented Days Worked	District Sign-in Sheets Provides Days Worked
January 2022	16	4
February 2022	16	8
March 2022	19	7
April 2022	10	3
May 2-22	17	4
June 1-7, 2022	2	0
June 12-18, 2022	Signed Timesheet Provided	No Sign-in Sheets
June 19-25, 2022	Unsigned Timesheet Provided	No Sign-in Sheets
June 26-July 2, 2022	The contractor provided an unsigned timesheet, but there were no sign-in sheets for the District. The timesheet and related emails do not agree.	

Failure to verify work is provided per contractual agreements could lead to improper contract payments.

**Recommendation:** We recommend the District strengthen internal controls to ensure services are completed as detailed within its consulting service contracts and to prevent improper contract payments.

**District's Response:** The District will strengthen controls over contracts and contract payments to ensure the district does not make improper payments to vendors.

**Repeat Finding:** No.

---

## OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 5:** The MASD Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding the Qualifications of the Chief Finance and Business Manager Position.

**Internal Control Deficiency:** The Superintendent of the MASD created the Position of Executive Director of Administrative Services. Per the job description, the individual will serve as the chief finance and business officer for the state's first achievement school district, which will manage the two Directors of Finance for each School District in the MASD. The minimum qualifications of this job governed by the Superintendent are as follows:

- 1.) Bachelor's degree from an accredited college or university in business, finance, accounting, or a related field;
- 2.) Five years of full-time, paid management-level experience in school district finance; and
- 3.) Business manager certification in the State of Mississippi.

**Applicable State Law:** Section 37-17-17(2), "The Mississippi Achievement School District shall be governed by the State Board of Education."



*Section 37-17-17(4)*, "...The superintendent of the Mississippi Achievement School District shall exercise powers and duties that would afford significant autonomy but are bound by the governance of the State Board of Education."

**Applicable Administrative Guidance:** *Mississippi Department of Education Policy Manual, Chapter 71, Rule 71.2*, "The individual designated as the licensed School Business Administrator shall hold the School Business Administrator License...The following minimum qualifications shall be met for initial licensing: A baccalaureate degree from an accredited four-year college or university in accounting. Other baccalaureate degrees from an accredited four-year college or university in Finance Business Administration or other business-related curriculum may be considered but shall include a minimum of fifteen (15) specified semester hours successfully completed in accounting..."

**Finding Detail:** During the review of the MASD's organizational chart, the auditor noted the individual in the position of Executive Director of Administrative Services for the MASD for fiscal years 2021 and 2022 does not meet the minimum qualifications to be employed as the MASD's chief finance and business officer. Per review of the personnel files, the current director does not have a finance, business or accounting degree, five years of experience in school district finance nor certification as a business manager in the State of Mississippi.

Failure on behalf of the Superintendent as the governing authority to hire an individual who meets the minimum requirements resulted in noncompliance with State Law and the MASD's job requirements.

**Recommendation:** We recommend that the MASD strengthen internal controls and ensure compliance by ensuring that all individuals hired as the District's Executive Director of Administrative Services meet the minimum qualifications of both the State Board of Education and its own job description.

**District's Response:** The District has corrected this finding by hiring a chief business officer who is MDE certified and meets the qualifications of the State Board of Education.

**Repeat Finding:** No.

---

**Finding 6:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Stipends and Reimbursements.

**Internal Control Deficiency:** Management is responsible for properly safeguarding the assets of the District and ensuring all travel stipends are approved, documented, and allowed.

**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 as indicated below:

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.

The superintendent shall comply with the rules and regulations of the Mississippi Department of Audit regarding itemized expense accounts upon return of the employee... The Superintendent ONLY is authorized to approve travel advances. An accounting for any travel advance shall be made within five (5) working days after the end of the month in which the official travel was made. Any money not used for travel related expenses shall be repaid to the school district at this time."

**Applicable State Law:** *Section 25-3-41(1)*, "Subject to the provisions of subsection (10) of this section, when any officer or employee of the State of Mississippi, or any department, agency or institution thereof, after first being duly authorized, is required to travel in the performance of his official duties, the officer or employee shall receive as expenses for each mile

actually and necessarily traveled, when the travel is done by a privately owned automobile or other privately owned motor vehicle, the mileage reimbursement rate allowable to federal employees for the use of a privately owned vehicle while on official travel.

(4) 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. Travel by airline shall be at the tourist rate unless that space was unavailable. The officer or employee shall certify that tourist accommodations were not available if travel is performed in first class airline accommodations. Itemized expense accounts shall be submitted by those officers or employees in such number as the department, agency or institution may require; but in any case, one (1) copy shall be furnished by state departments, agencies or institutions to the Department of Finance and Administration for preaudit or postaudit. The Department of Finance and Administration shall promulgate and adopt reasonable rules and regulations which it deems necessary and requisite to effectuate economies for all expenses authorized and paid pursuant to this section. Requisitions shall be made on the State Fiscal Officer who shall issue his warrant on the State Treasurer. Provided, however, that the provisions of this section shall not include agencies financed entirely by federal funds and audited by federal auditors.

(5) Any officer or employee of a county or municipality, or any department, board or commission thereof, who is required to travel in the performance of his official duties, may receive funds before the travel, in the discretion of the administrative head of the county or municipal department, board or commission involved, for the purpose of paying necessary expenses incurred during the travel. Upon return from the travel, the officer or employee shall provide receipts of transportation, lodging, meals, fees and any other expenses incurred during the travel. Any portion of the funds advanced which is not expended during the travel shall be returned by the officer or employee. The Department of Audit shall adopt rules and regulations regarding advance payment of travel expenses and submission of receipts to ensure proper control and strict accountability for those payments and expenses.”

**Finding Detail:** During the review of the District’s Board Minutes, payroll reports, personnel files, travel reimbursements, and inquiry of personnel, the auditor noted the following exceptions:

- Superintendent/Board of Education approved travel stipends for District employees for fiscal years 2020, 2021, and 2022, totaling **\$107,105**:
  - 2020 - **\$60,959**;
  - 2021 - **\$33,000**;
  - 2022 - **\$13,146**;
- Per review of employee personnel files and inquiry of Business Office Personnel, the District does not maintain or require travel logs for these employees for intra-district travel in their private vehicles;
- Nine travel advances were not approved by the Superintendent;
- The District did not have evidence of required documentation for a travel voucher; therefore, the auditor could not determine if the District complied with State Law;
- There was no evidence of actual receipts for three meal reimbursements;
- One meal reimbursement was paid to a District employee; however, there was no overnight stay;
- One meal reimbursement was paid to a District employee; however, the meals were included in the registration;
- The auditor noted five travel reimbursements for professional development; however, the District did not obtain nor maintain corroborating evidence of attending a training;
- One travel reimbursement did not have evidence of the actual receipts;

- One meal reimbursement was in excess of the maximum daily limit set by the Department of Finance and Administration (DFA); and
- Seven instances where no documentation verifying approval in advance of travel from the division director or equivalent was attached.

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.

**Recommendation:** We recommend that the District strengthen internal controls and ensure compliance regarding travel reimbursements or advances by ensuring that employees are paid from actual claim vouchers, as required by DFA.

**District's Response:** No travel stipends are being paid at this time. The School District will ensure compliance over travel by providing reimbursements only after actual claim vouchers are submitted for reimbursement, as required by the Mississippi Department of Finance and Administration.

The District will strengthen internal controls to ensure expense reimbursements comply with board policy and state statutes. The School District will also ensure the correct mileage rate is reimbursed to District employees who travel in private vehicles.

**Repeat Finding:** No.

---

**Finding 7:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approvals and Procedures.

**Internal Control Deficiency:** The Board of Education establishes priorities for the financial management of the District, reviews and approves all budgets, and ensures expenditures for the District's funds are within the legal requirement of the approved budget.

**Applicable State Law:** *Section 37-61-9, Mississippi Code Annotated (1972)* and the State Board of Education, requires that prior to the adoption of a budget pursuant to this section, the school board of each school district shall hold at least one (1) public hearing to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget. The public hearing shall be held at least one (1) week prior to the adoption of the budget with advance notice. Additionally, the combined budget and combining budgets for each fund type are reflected in the board minutes or an addendum to the board minutes. Both should be signed by both the Board's president and secretary. Signed copy should be filed within the District.

*Section 37-61-19*, "It shall be the duty of the superintendents 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 District's Budgets and Board Minutes, the auditor noted the following exceptions:

- There was no documentation in the Official Board Minutes of the Public Hearing advertised to be held on August 5, 2021;
- The Board approved the original budget for fiscal year 2022 that included six funds projecting a negative fund balance at year-end:
  - Consolidated Cost Pool (2290) – **(\$24,194)**;
  - Cares Act ESSERF – II (2590) – **(\$27,150)**;

- ESSER CTE (2597) – (\$30)
- Preschool – Regular 99-00 (2620) – (\$1,882); and
- Title IV-A Student Support and Enrichment (2811) – (\$59,334).
- The combined amended budget for fiscal year 2022 was approved on October 12, 2022; however, the combined amended budget was not approved nor documented in the Board Minutes; and
- The combined amended budget for fiscal year 2022 was not signed by the Superintendent.

Failure to ensure the combining budget was spread upon the Board minutes and all funds were budgeted for resulted in a noncompliance with State Law. The actual fund balances at June 30, 2022 were not negative; however, the approval of the fund budget with deficit fund balances could result in noncompliance with State Law.

Also, failure to advertise the public hearing of its budget resulted in noncompliance with State Law. Failure to sign, approve, and document the combining budgets within the Board Minutes also resulted in noncompliance.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance with State Law by implementing sound budgeting practices that will prevent 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. Also, the District should ensure that all funds with actual expenditures are budgeted and spread upon the Board Minutes. Additionally, we recommend the District ensure all public hearings are documented in the Board Minutes, as required by State Law.

**District's Response #1:** The District will implement budgeting practices that will prevent negative fund balances from being presented to the School Board for approval.

**District's Response #2:** The District will strengthen internal controls and ensure compliance by implementing sound budgeting practices. The district will present the combining and combined budgets to the board for approval.

**Repeat Finding:** No.

---

**Finding 8:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Teacher Incentive Programs.

**Internal Control Deficiency:** The Board of Education may establish or adopt any orders, resolutions, or ordinances with respect to District affairs, property, and finances that are consistent with other State Laws (Home Rule). The Board of Education must also establish and oversee the performance of the School District in order to comply with applicable laws and internal controls. The *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 Administrative Decisions and Guidance:** *MS AG Op., Gaskin at \*1 (October 11, 2022)*. States in part: Regarding incentive pay, *Sections 66 and 96 of Article IV of the Mississippi Constitution* prohibit a public entity from paying employees extra compensation for past services because it would constitute an unlawful donation. *MS AG Op., Eleuteris at \*1 (Nov. 1, 2013)*. Payments in the form of bonuses are prohibited for this reason. *Id.* Employee incentive payments, however, that “are implemented prospectively and for which payment is made pursuant to conditions met in the future do not run afoul of [the] constitutional provisions.” *MS AG Op., Campbell at \*1 (Apr. 12, 2010)*. Therefore, in order for the city to implement employee incentive pay, it must be “(1) contracted for between the parties or with the employee prior to the date when services are to be performed; (2) determined in accordance with objective standards of measurement; and (3) earned by personal services performed by the employees.” *MS AG Op., Chiles at \*1 (Nov. 10, 2020)*. Whether the proposed ordinance meets these requirements is a determination that must be made by the Council. You may also wish to consult with the Mississippi Office of the State Auditor to determine whether American Rescue Plan Act's State and Local Fiscal

Recovery Funds may be used for the proposed incentive payments.\*2 Additionally, while performance-based incentive pay for municipal employees may be authorized when the above-cited conditions are met, such payments are excluded from “earned compensation” as defined by *Section 25-11-103(k)* of the *Mississippi Code* and may not be reported to the state's Public Employees' Retirement System (PERS) for purposes of retirement. *Chiles* at \*2.

**Finding Detail:** During the review of the District’s contractual obligations and salary payments to employees, the auditor noted that the District adopted an “incentive pay” program to reward certified teachers, teacher assistants, and support staff. The 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 is essential to ensure incentive payments do not constitute prohibited payments, such as bonuses or donations.

The recruitment and placement incentive program, designed by the District, currently provides incentives for services that were not contracted for prior to the date they were performed.

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

**District’s Response:** The District has strengthened internal controls to ensure compliance over incentive payments. The District has consulted with the Mississippi Department of Education on its current incentive program to ensure compliance with State Law.

**Repeat Finding:** No.

---

**Finding 9:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Open Board Meetings, Access, and Maintenance of Board Minutes.

**Internal Control Deficiency:** Management is responsible for ensuring the assets of the District are safeguarded and transactions are properly documented and recorded in the District’s Board Minutes. A critical deficiency of internal controls includes the minutes of the cabinet meetings or stakeholder’s meetings, which were not kept in a bound book, nor were they available electronically upon request of the Public. Also, the District should ensure all cabinet meetings or stakeholder meetings are open to the public when actions are taken.

**Applicable State Law:** *Section 25-41-5(1)*, “All official meetings of any public body, unless otherwise provided in this chapter or in the Constitutions of the United States of America or the State of Mississippi, are declared to be public meetings and shall be open to the public at all times unless declared an executive session as provided in *Section 25-41-7*.”

*Section 25-41-11(1)*, “Minutes shall be kept of all meetings of a public body, whether in open or executive session, showing the members present and absent; the date, time and place of the meeting; an accurate recording of any final actions taken at such meeting; and a record, by individual member, of any votes taken; and any other information that the public body requests be included or reflected in the minutes. The minutes shall be recorded within a reasonable time not to exceed thirty (30) days after recess or adjournment and shall be open to public inspection during regular business hours.”

*Section 25-41-13*, “(1) Any public body which holds its meetings at such times and places and by such procedures as are specifically prescribed by statute shall continue to do so and no additional notice of such meetings shall be required except that:

(a) A notice of the place, date, hour, and subject matter of any recess meeting, adjourned meeting, interim meeting or any called special meeting shall be posted within one (1) hour after such meeting is called in a prominent place available to examination and inspection by the general public in the building in which the public body normally meets. A copy of the notice shall be made a part of the minutes or other permanent official records of the public body; and

(b) Except as otherwise provided by law, a notice of a called special meeting shall be posted to the public body's website, if the public body has a website and has the capability to update the website, not less than one (1) hour before the meeting. A copy of this notice shall be transmitted via email or facsimile not less than one (1) hour before the meeting to any citizen and any publication, broadcast and digital media with a general circulation or coverage within the public body's jurisdiction, that has submitted in writing its interest to receive these notices. Any public body may, at its discretion, purge any list of publications, broadcasts or digital media that have requested to receive the notices once every twenty-four (24) months. After the purge, any publication, broadcast or digital media may resubmit in writing its interest to receive the notices. Nothing in this paragraph (b) shall add additional notice requirements for meetings of public bodies held in cases of emergencies. The provision of this paragraph (b) requiring notice to be posted on the public body's website shall not apply to municipalities with a population as determined by the latest federal decennial census of less than twenty-five thousand (25,000) inhabitants, and any county with less than fifty thousand (50,000) according to the latest federal decennial census *Section 25-61-1, Mississippi Code Annotated (1972)*, states, “This chapter shall be known and may be cited as the “Mississippi Public Records Act of 1983.” It is the policy of the Legislature that public records must be available for inspection by any person unless otherwise provided by Chapter 453, Laws of 1996. Furthermore, providing access to public records is a duty of each public body and automation of public records must not erode the right of access to those records. As each agency increases its use of and dependence on electronic record keeping, each agency must ensure reasonable access to records electronically maintained, subject to the rules of records retention.”

*Section 25-61-2*, “It is the policy of this state that public records shall be available for inspection by any person unless otherwise provided by this chapter; furthermore, providing access to public records is a duty of each public body and automation of public records must not erode the right of access to those records. As each public body increases its use of, and dependence on, electronic record keeping, each public body must ensure reasonable access to records electronically maintained, subject to records retention.”

*Section 37-6-9*, “...Minutes shall be kept of all meetings of the school board showing (a) the members present and absent; (b) the date, time and place of the meeting; (c) an accurate recording of any final actions taken at such meeting; (d) a record by individual member of any votes taken at such meeting; and (e) any other information that the school board requests to be reflected in the minutes. Each member of the school board present shall either vote or abstain on every question upon which a vote is taken at such meeting. All action taken by a school board shall become official at the time it is taken.”

**Finding Detail:** Based on the review of the District’s Board Minutes, the auditor noted the following exceptions:

- The School Board held meetings where actions were taken; however, these meetings were not open to the public, nor was a notice published on the District’s website;
- Multiple special-called Business Meetings were held; however, there was no copy of the notice included in the Board Minutes;
- Official Board Minutes were not available to the public or OSA auditors until **June 9, 2022**, for all Board Minutes. Auditors began their audit on **May 19, 2022**;

- No Board Minutes were kept from the budget public hearings;
- Seventeen consent agendas were approved without including the items approved;
- Three items were motioned and seconded by District employees;
- Sixteen claim dockets included the amount of the claims; however, they did not have the claim numbers;
- The claims dockets were not actually signed by the Superintendent/Board Member. The Executive Assistant utilized a stamp;
- Claims dockets were discussed and approved during closed meetings; and
- Approvals of claims printed offline were approved through email correspondence, and this documentation was not attached to the claims packet.

Failure to properly maintain the District's Board Minutes, ensure access to the public, and ensure all meetings are open to the public resulted in a lack of transparency and noncompliance with State Law and regulations.

**Recommendation:** We recommend that the District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure that all Board Minutes are kept as required by State Law and regulations. This matter has been referred to the *Mississippi Ethics Commission*.

**District's Response:** The District has already strengthened internal controls and has ensured compliance by assuring all Board minutes are as required by State Law and regulations.

**Repeat Finding:** No.

---

**Finding 10:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Credit Card Usage.

**Internal Control Deficiency:** The *COSO* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Management is responsible for implementing proper internal controls surrounding the cash disbursement functions and maintaining and recording all credit card transactions into the general ledger.

**School Board Policy:** *Section D, Fiscal Management, Policy Code DJI, Use of District Credit Cards*, provides that credit card balances shall not be carried over to the next month except on disputed claims.

**Applicable State Law:** *Section 39-5-9* and the Mississippi Department of Archives and History states that 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.

**Applicable Administrative Guidance:** *Mississippi Procurement Manual, Chapter 10.112.01, Balance on Accounts*, "Balances on credit cards shall be paid at the receipt of the monthly statement, once the statement has been reconciled for accuracy. Balances on credit cards shall not be carried over to the next month except on disputed claims and only for the disputed amount. Any amounts due on credit cards shall incur interest charges as set forth in *Section 31-7-305, Mississippi Code of 1972*, which only allows for an interest rate of 1 ½% per month to be applied to any unpaid balance not paid within 45 days.

*Mississippi Procurement Manual, Chapter 10, 10.112.03, Merchant-Specific Credit Cards*, 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*, 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 District’s credit cards, the auditor noted the following exceptions:

- The District did not approve the use and justification for a merchant-specific credit card, Scott Petroleum;
- The District carried over balances on both its travel and procurement cards from October 2021 that were paid in full in December 2021, totaling **\$15,471**;
- Five purchase orders were approved for travel for professional development, which were changed to virtual meetings; however, the same purchase orders were utilized for other unknown travel;
- One purchase order was approved for bus tires; however, based on the invoice, the size of the tires purchased did not match the size of the bus tires;
- Three instances where a statement was not provided within the procurement card documentation; therefore, the auditor could not verify items matched the charge slips;
- One plane ticket was changed to have an ending location in Charlotte, North Carolina, rather than Jackson, Mississippi, which resulted in an additional **\$161** cost;
- One instance where the District paid for a stay that was longer than the conference;
- Two instances where the meals were over the limit allowed;
- The District held two professional developments in Gulfport; however, there were no attendance sheet records;
- Six Fuelman monthly statements where there was no evidence of receipts;
- Six credit card charges where there was no evidence of an independent review;
- Three credit card slips were not signed; and
- One receipt was not maintained within the District; therefore, the auditor could not reconcile it to the monthly statement.

Failure to have adequate controls regarding the District’s procurement card purchases could result in waste, fraud, and abuse of public funds. Also, failure to approve the use and justification of a merchant-specific card and to pay credit card balances in full monthly resulted in a noncompliance with State Law and regulations.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by implementing adequate policies and procedures concerning its credit card usage, in addition to abiding by the laws, rules, and regulations set by DFA and Board Policy.

**District’s Response:** The District will implement and enforce policies and procedures to strengthen controls concerning credit card usage.

**Repeat Finding:** No.

---

**Finding 11:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Bank Reconciliations and Investment Accounts.

**Internal Control Deficiency:** Management is responsible for ensuring that the assets of the District are safeguarded, transactions are properly recorded, and all bank account transfers are made in a timely manner. A critical aspect of internal controls is to ensure transactions are properly documented and balancing the District’s bank accounts includes ensuring funds are correctly recorded in the correct bank accounts.



**Applicable Administrative Guidance:** *Mississippi Department of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board* states, "... Presentation of reconciled bank statements should be made at the next regular board meeting after the bank statements are reconciled to the district's general ledger cash balances in a timely and accurate manner.

**Finding Detail:** During the review of the District's bank reconciliations, the auditor noted the following exceptions:

- Two bank accounts were not properly reconciled to the general ledger's cash balance, resulting in a difference totaling **(\$88,752)**:
  - Humphreys County District Maintenance – **(\$88,864)**
  - Ad Valorem Escrow Account - **\$112**
- The Extended School Term bank account was not reconciled to the general ledger because the bank account is not on the District's books, totaling **\$3,986**; and
- The District's investment bank accounts were not properly reconciled monthly to the general ledger's investments balance, resulting in a difference totaling **(\$22,612)**.

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

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by ensuring all transactions are correctly recorded in the District's general ledger and all variances from book balances are accounted for in a timely manner. Also, we recommend the District reconcile accounts monthly to the general ledger by each fund in order to effectively and timely account for any variance from the District's book balances.

**District's Response:** The District will strengthen internal controls to ensure all transactions are properly recorded in the district's general ledger and bank reconciliations are reconciled properly to the general ledger.

**Repeat Finding:** No.

---

## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 12:** The District Should Ensure Compliance with State Law Regarding Unused Accumulated Leave.

**Applicable State Law:** *Section 37-7-307(2)(b)*, "Any unused portion of the total sick leave allowance shall be carried over to the next school year and credited to such licensed employee and teacher assistant if the licensed employee or teacher assistant remains employed in the same school district. In the event any public school licensed employee or teacher assistant transfers from one public school district in Mississippi to another, any unused portion of the total sick leave allowance credited to such licensed employee or teacher assistant shall be credited to such licensed employee or teacher assistant in the computation of unused leave for retirement purposes under *Section 25-11-109*. Accumulation of sick leave allowed under this section shall be unlimited."

*Section 37-7-307(5)* and the *Mississippi Achievement School District's Staff Handbook* state, "...No payment for unused accumulated leave may be made to either a licensed or non-licensed employee at termination or separation from service for any purpose other than for the purpose of retirement."

**Applicable Administrative Decisions and Guidance:** *Mississippi Achievement School District's Staff Handbook, Leave Related Policies, Rules and Regulations*, provides that an absent employee to furnish the certificate of a physician or dentist

or other medical practitioner as to the illness of the absent employee, where the absence is for three or more consecutive days.

*MS AG Op., Gilmore (January 31, 2014)* provides that you can have more than one job at two different entities; however, the individual cannot be paid for the same hours at both.

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

- The Superintendent and the Executive Assistant/Project Coordinator were paid for all of their unused sick, vacation, and personal leave and paid for the entire month of June 2022. The employees' last physical date within the District was May 27, 2022. Both have accepted positions within another school district in Arkansas. The accumulation of unused leave being paid for June totaled **\$19,903**:
  - Superintendent - **\$15,167**
  - Executive Assistant/Project Coordinator - **\$4,736**
- Neither employee submitted certificates from a physician, dentist, nor other medical practitioners for the use of sick leave for the absence of more than three consecutive days; and
- On June 21, 2022, the Payroll Clerk altered the original leave record supplied to OSA on June 2, 2022, and the leave history report for both the Superintendent and the Executive Assistant/Project Coordinator.

Failure to ensure unused leave is not paid to employees who are not retiring, and that sick leave is not paid without a certificate from a physician, dentist, or other medical practitioners for leave taken more than three consecutive days resulted in noncompliance with State Laws and the District's leave policy. This leave payment resulted in an overpayment of both District employees' salaries.

**Recommendation:** We recommend the Mississippi Achievement School District ensure compliance by ensuring unused leave is not paid to resigning employees who are not retiring and ensuring a certificate from a physician, dentist, or medical practitioner is obtained for employees absent for a consecutive three days or more, as required by State Law and the District's leave policy.

**District's Response:** The District will ensure compliance of the School District's leave policy by not paying resigning employees for unused leave and by obtaining proper documentation for medical leave taken for three or more consecutive days.

**Repeat Finding:** No.

---

**Finding 13:** The District Should Ensure Compliance with State Law Regarding Fuel Cards.

**Applicable Administrative Decisions and Guidance:** *MS AG OP., Murray (November 17, 2000)*, states, "We do not find authority for the board of a public university, community college, or school district to issue a credit card to an employee, such as an athletic coach, for use in the course and scope of duties of employment. We note that *Miss. Code Ann. Section 25-3-41* (Supp. 2000) sets forth procedures for authorization for travel expenses for employees of public universities, community colleges, and school districts..."

**School Board Policy:** *Section D, Fiscal Management, Policy DJ, Expense Reimbursements*, states, "...For each mile actually and necessarily traveled in the employees' automobile or other private motor vehicle, the same rate of pay per mile as set by the Mississippi Department of Finance and Administration ...Employees shall be reimbursed for other actual expenses such as meals, lodging, other necessary expenses incurred in the course of such travel, subject to limitation placed

on meals for intrastate and interstate official travel by the Mississippi Department of Finance and Administration and rules and regulation adopted by the Mississippi Department of Audit.”

**Finding Detail:** During the review of the District’s fuel cards, the auditor noted the Superintendent/Board instructed the School Resource Officer to issue Scott Petroleum credit cards to one administrator and one employee to use for their personal vehicles. One administrator’s fuel purchases totaled **\$6,486**; however, the other employee’s fuel purchases could not be determined nor verified. Neither the District nor the employee distinguished personal use of the fuel card from business use. Also, this authorization was not spread upon the Board Minutes, nor was this a part of their contractual agreements.

Failure to ensure District employees are only reimbursed for travel based on the actual miles traveled in the performance of their duties within their private vehicles resulted in noncompliance with State Law and Board Policy.

**Recommendation:** We recommend that the District ensure compliance by ensuring all travel is reimbursed to District employees based on the actual miles traveled, as required by State Law and its Board Policy.

**District’s Response:** The District will ensure compliance with state law and board policy by reimbursing district employees for actual miles traveled.

**Repeat Finding:** No.

---

**Finding 14:** The District Should Ensure Compliance with State Law Regarding Contractor Ethics.

**Applicable State Law:** *Section 25-4-105(3)*, prohibits all public servants of a school district from having a “material financial interest” in a business which is a contractor, subcontractor, or vendor the school district. The term “material financial interest” is defined very broadly as “a personal and pecuniary interest direct or indirect, accruing to a public servant or spouse, either individually or in combination with each other.

**Applicable Administrative Decisions and Guidance:** *Mississippi Ethics Opinion 14-008-E*, provides that a District employee is not allowed to serves as a contractor to his or her own School District, in there is a direct or indirect financial interest.

**Finding Detail:** During the review of the District’s related party memos, the auditor noted the District contracted with the business connected to the Director of Federal Programs Director. Per the Mississippi Secretary of State, the Director of Federal Programs is the secretary for the vendor. Expenditures to this entity totaled **\$965**.

Failure to ensure District employees do not have a direct nor indirect interest in any of its contractors resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by ensuring that its employees do not have a direct or indirect interest in any contractors doing business with the District, as required by State Law and regulations. This matter has been referred to the *Mississippi Ethics Commission*.

**District’s Response:** The District will no longer utilize entities in which District employees can obtain pecuniary benefit from his or her spouse or other relative.

**Repeat Finding:** No.

---

**Finding 15:** The District Should Ensure Compliance with State Law Regarding Monthly Financial Reports.

**Applicable State Law:** *Section 37-9-18*, 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.

**Applicable Administrative Guidance:** *Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board* provides 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 District's Board Minutes, the auditor noted there was no evidence of the 2022 fiscal year monthly financial reports being presented by the Superintendent to the Board because they were not spread upon the Board Minutes.

Failure to comply with the financial reporting requirements resulted in noncompliance with State Law. Additionally, not presenting this information to the Board could lead to the Board not being appropriately and timely informed of the District's financial status, which could influence decisions made by the Board concerning claims.

**Recommendation:** We recommend the District ensure compliance by ensuring all monthly financial reports are submitted to the Superintendent/Board monthly and spread upon the Board Minutes, as required by State Law.

**District's Response:** The District will ensure compliance by assuring an accurate and complete set of financial reports are submitted to the Board each month.

**Repeat Finding:** No.

---

**Finding 16:** The District Should Ensure Compliance with State Law Regarding Purchasing Procedures, Invoice Payments, and Expenditure Coding.

**Applicable State Law:** *Section 31-7-13(b)*, "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 ... "Competitive" shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids."

*Section 31-7-13(d)(i)*, "...If any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid."

*Section 31-7-113*, "The State Department of Audit shall design and prescribe the form of the inventory to be made, the form of the purchase order, the form of the receiving report; prescribe system of filling and prescribe the system of records necessary for the maintenance of a central purchasing system."

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

*Section 37-9-18(3)(b)*, “When conducting an audit of public school district, the State Auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing correct and appropriate functional level expenditure codes in expenditures by the school district... Based upon the audit report, the State Auditor shall compile a report on the compliance and noncompliance by all public school districts with correct and appropriate coding at the function level, which report must be submitted to the Chairmen of the Education and Appropriations Committees of the House of Representatives and Senate.”

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

- Two vendor purchases were made without obtaining two bids/quotes, totaling **\$35,316**;
- Due to missing purchase documentation, OSA could not verify if the District complied with all purchase laws;
- Three invoices were paid more than 45 days after the goods were received;
- The School Board/Superintendent authorized two vendor purchases from other than the lowest bidder, totaling **\$20,836**; however, justification for the purchases was not approved and spread across the Board Minutes;
- Six expenditures were incorrectly coded to the wrong function;
- Six invoices were paid prior to goods or services being received;
- Three purchases did not agree to the quoted amount from the vendor; and
- Two vendor purchases were not added to the District’s fixed asset listing, totaling **\$60,332**.

Failure to follow proper purchasing procedures and properly code expenditures could result in fraud or misappropriation of public monies and resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by ensuring all proper purchase procedures, laws, and expenditure coding requirements are being followed and monitored, as required by State Law. Also, the District should ensure that all newly purchased fixed assets are added to the District’s fixed asset listing.

**District’s Response:** The District will implement procedures to ensure the School District is in compliance with *Section 31-7-13(b), Mississippi Code Annotated (1972)*.

**Repeat Finding:** Yes.

---

**Finding 17:** The District Should Ensure Compliance with State Law Regarding the Ad Valorem Tax Request Publication and Escrow.

**Applicable State Law:** *Section 27-39-207(2)(a)*, “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)* 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.

*Section 37-57-107*, “Taxes levied for school district purposes pursuant to *Sections 37-57-105 and 37-57-1* shall not exceed the aggregate receipts from those sources during any one (1) of the immediately preceding three (3) fiscal years.”

**Finding Detail:** During the review of the District's ad valorem tax request, the auditor noted the following exceptions:

- The District's name was not included in the title of the advertisement;
- The advertisement included the wrong fiscal year in the publication.
- The percentages placed in the advertisement are mathematically incorrect; and
- The District received more ad valorem taxes and homestead exemption reimbursements than the amount allowed by Section 37-57-107. The excess collections resulted from the District preparing an inaccurate tax request and failing to advertise the correct request amount.

The miscalculation resulted in noncompliance with *Section 37-57-10*; the excess amount collected during the 2021-2022 year totaled **\$291,080**, and the amount should be restricted for one year. Also, due to the incorrect publishing of the advertisement of tax increase the District failed to comply with *Section 27-39-207*.

**Recommendation:** We recommend the District ensure compliance by implementing adequate policies and procedures to ensure the limitation of ad valorem taxes and homestead exemption reimbursements are met, as required by State Law. Also, we recommend the District escrow the excess collections, totaling **\$291,080**.

**District's Response:** The District will ensure compliance by implementing adequate policies and procedures to ensure the limitation of ad valorem taxes and homestead exemption reimbursements are met. Funds received over the threshold will be escrowed, as required by state law.

**Repeat Finding:** No.

---

**Finding 18:** The District Should Ensure Compliance with State Law Regarding the Unemployment Compensation Fund.

**Applicable State Law:** *Section 71-5-359(5)*, "Each political subdivision, unless it elects to make contributions to the unemployment compensation fund as provided in subsection (9) of this section, shall establish a revolving fund and deposit an amount equal to two percent (2%) of the first Six Thousand Dollars (\$6,000.00) paid to each employee thereof during the next preceding year. However, the department shall by regulation establish a procedure to allow reimbursing political subdivisions to elect to maintain the balance in the revolving fund as required under this paragraph or to annually execute a surety bond to be approved by the department in an amount not less than two percent (2%) of the covered wages paid during the next preceding year."

**Finding Detail:** During the review of the District's Unemployment Fund, the auditor noted that the account balance of the District's Unemployment Compensation Fund was **\$13,369** less than the limitations required by the aforementioned statute.

Failure to maintain an adequate balance in the Unemployment Compensation Fund resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by ensuring adequate monies are deposited in the Unemployment Compensation Fund, as required by State Law.

**District's Response:** The District will ensure compliance by assuring adequate funds are deposited into the unemployment compensation fund, as required by State Law.

**Repeat Finding:** No.

---

**Finding 19:** The District Should Ensure Compliance with State Law Regarding District–Owned Building Use.

**Applicable State Law:** *Sections 37-7-473 through 37-7-487*, provide for the “Disposition of Property not Needed for School Purposes; Additional Method.”

**Applicable Administrative Decisions and Guidance:** *MS AG Op.*, Smith (November 30, 2015). “...*Miss. Code. Ann. Section 37-7-473* (as amended) (emphasis added). The entities to whom unused school property can be sold include any association, club or corporation if the use includes one of the specifically designated purposes or if the use will enhance property values within the district or the use is for a similar or related purpose to others listed in the statute. Although the proposed lease of the unused property for a volunteer fire department would appear to likely enhance property values or be a similar or related use to the other types listed in the statute, the finding is a factual determination that cannot be made by this office and should be made in the first instance by the Trustees.

Assuming the Trustees make this determination, there are other statutory requirements that must also be met. *Section 37-7-471*, likewise, requires various factual determinations and findings to be made by the Trustees. Under this statute and the facts as set out in your letter, *Section 37-7-471(a)* would require that the Trustees determine and find that the “school building, land, property or other school facility is no longer needed for school or related purposes and is not to be used in the operation of the schools of the district.” Under subsection (b), the Trustees would need to find “[t]hat the sale of the property in the manner otherwise provided by law is not necessary or desirable for the financial welfare of the school district.” Subsection (c) requires that the Trustees find “[t]hat the use of the school building, land, property or other school facility for the purpose for which it is to be ... leased will promote and foster the development and improvement of the community in which it is located and the civic, social, educational, cultural, moral, economic or industrial welfare thereof.”

\*2 Assuming these findings are appropriately made, the Trustees can, in their “discretion”, determine the “terms and conditions” of the sale including the “*consideration, nominal or otherwise*” that the Trustees “deem proper.” *Miss. Code. Ann. Section 37-7-471(c)*. In determining proper terms, conditions and considerations, the statute requires the Trustees to do so “in consideration of the benefits which will inure to the school district or the community in which the school ... property ... is located by the use thereof for the purpose for which it is ...” leased. Obviously, all of these required determinations and findings are factual issues which must be decided by the Trustees. *Section 37-7- 477* additionally requires that the lease must contain a provision that title to the property “automatically revert to the school district, if such property shall cease to be used for the purpose for which it is ... leased.”

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

- The McNair School Reunion Committee utilizes an elementary building, rent-free, as a museum; however, there isn’t a Board – approved lease agreement on file; and
- The District is paying the utilities on this building.

The District failed to comply with State Law regarding the disposition of property not needed for school purposes.

**Recommendation:** We recommend the District ensure compliance by entering into lease agreements for all District – owned buildings utilized by entities other than the District, as required by State Law. Also, these lease agreements should be Board approved and kept on file within the District.

**District’s Response:** On January 13, 2004, the Humphreys County School Board of Trustees voted to establish the O.M. McNair Museum, to be run by the McNair School Reunion Committee. The museum is not leased to any individual.

**Repeat Finding:** No.

**Finding 20:** The District Should Ensure Compliance with State Law Regarding Sixteenth Section Lease Payments, Taxes, and Appraisals.

**Applicable State Law:** *Section 27-3-71*, “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, “Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances were present, and the Board shall inaugurate the proper legal proceedings to terminate such lease.”

*Section 29-3-65, Mississippi Code Annotated (1972)*, states, “One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the Board of Education shall appoint a competent appraiser to appraise the land and report to the Board his recommendation for the fair market rental amount. The Board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*.”

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

- Two leases with delinquent taxes; however, the lease agreements were not terminated, totaling **\$9,785**;
- One lease was delinquent more than 60 days late; however, the lease agreement was not terminated;
- Seven lease agreements had no appraisals on file to verify an appraisal was completed before entering into a new lease agreement;
- One lease payment was not paid; however, the lease was not terminated, totaling **\$1,800**;
- Two instances where the payment was made by someone other than the lessee, and no lease assignment was on file;
- Five instances where there was no documentation of rent review as required by the lease agreement; and
- Two instances where the lease agreements were not filed with the County.

Failure to have adequate internal controls regarding sixteenth section land lease agreements resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by ensuring all lease payments are made within 60 days, an appraiser is appointed one year before the lease of sixteenth section land, all lease payments are made, and lease assignments and rent reviews are documented, as required by State Law. Also, the District should ensure all lease agreements are filed with the County.

**District’s Response:** The District will strengthen internal controls and ensure compliance by assuring all sixteenth section leases are properly documented, recorded, appraised, and filed as required by state law.

**Repeat Finding:** No.

---

**Finding 21:** The District Should Ensure Compliance with State Law Regarding Sixteenth Section Shared Township Revenue.

**Applicable State Law:** *Section 29-3-119(3)(b)*, “Where any such township having such funds available for distribution is located either in whole or in part in two (2) or more school districts, such available funds shall be distributed to the two (2) or more school districts in proportion to the number of children residing in that part of the two (2) or more school districts



which is common or coextensive to each of the school districts, distribution being made on the basis of the enrollment of the school children in their respective school districts.”

*Section 29-3-119(4)*, “The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the “custodial school district”) shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district’s pro rata share of the available township funds, as determined from the lists of children prepared pursuant to *Section 29-3-121* promptly after collecting such funds...”

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

- The District did not share sixteenth revenue with neighboring school districts within the District’s shared township: Greenwood Leflore School District and Holmes County School District; and
- The District underpaid Sunflower County School District an estimated **\$45,000** of sixteenth section revenue from the township both Districts share in which Humphreys is the custodial District.

Failure to properly share sixteenth section revenue as the custodial school district could result in the misappropriation of public funds and resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by ensuring all sixteenth section revenues are promptly shared with the appropriate School District, as required by State Law.

**District’s Response:** The District will ensure compliance by assuring all sixteenth section revenues are promptly shared with appropriate school districts, as required by State Law.

**Repeat Finding:** Yes.

---

**Finding 22:** The District Should Ensure Compliance with State Law Regarding Sixteenth Section Educable Child Lists.

**Applicable State Law:** *Section 29-3-121*, “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*....”

**Finding Detail:** During the review of the District’s educable child lists, the auditor noted for the 2021-2022 school year, the lists were not filed until March 1, 2022.

Failure to file the educable child lists with the custodial school district by December 31<sup>st</sup> could result in forfeiting funds that the District would otherwise be entitled to and resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring all educable child lists are prepared and filed with the Superintendents of each custodial district by December 31<sup>st</sup> of each year, as required by State Law.

**District’s Response:** The District will ensure compliance by assuring all educable child lists are prepared and filed with the superintendents of each custodial district by December 31<sup>st</sup> of each year, as required by State Law.

**Repeat Finding:** No.

---

**Finding 23:** The District Should Ensure Compliance with State Law Regarding the Annual Sixteenth Section School Trust Land Report.

**Applicable State Law:** *Section 29-1-3(3)*, “Any state, county, municipal or school district official shall supply annually to the Secretary of State such sixteenth section management information as shall be requested by the secretary. Such information shall include, but not be limited to, the following items pertaining to all new leases, rights-of-way, easements and sales of school trust lands: the number of acres in each parcel; the consideration paid for each transaction; the length and expiration of each lease, easement, or right-of-way; and the use to be made of each parcel. The applicable public official shall likewise report information requested by the Secretary of State on schedule of revenue and expenses and principal fund investments. Such information shall include, but not be limited to, the following items: revenues received from various sources; expenses; escrow funds; principal funds; amounts of monies invested; dates of investment; where invested; form of investment; rate of return of each investment; and the amount of revenue earned upon each investment. The information must be submitted in electronic format in the manner required by the Secretary of State.”

**Finding Detail:** During the review of the District’s Sixteenth School Trust Land Report, the auditor noted the following exceptions:

- The District did not file its 2022 report with the Mississippi Secretary of State (SOS)’s Office until November 2, 2022; however, it was due on September 30, 2022; and
- Eight leases were not found on the Annual Sixteenth Section Trust Land Report; however, monies were receipted totaling **\$180,807**; and
- Four lease agreements were not found on the State Report.

Failure to file the Sixteenth Section School Trust Land Report to the Secretary of State’s office in a timely and accurate manner resulted in noncompliance with State Law.

**Recommendation:** We recommend that the District ensure compliance by assuring that the District’s Sixteenth Section School Trust Land Report is filed accurately with the Secretary of State’s office by the specified date, as required by State Law.

**District’s Response:** The District will ensure compliance by assuring the School District’s 16<sup>th</sup> Section School Trust Land Report is filed accurately and timely with the Mississippi Secretary of State, as required by law.

**Repeat Finding:** No.

---

**Finding 24:** The District Should Ensure Compliance with State Law Regarding the Education Enhancement Fund (EEF) Pledge.

**Applicable State Law:** *Section 37-61-33(2)(d)*, “As a pledge to pay all or a portion of the debt service on debt issued by the school district under *Sections 37-59-1 through 37-59-45, 37-59-101 through 37-59-115, 37-7-351 through 37-7-359, 37-41-89 through 37-41-99, 37-7-301, 37-7-302 and 37-41-81*, or debt issued by boards of supervisors for agricultural high schools pursuant to *Section 37-27-65*, if such pledge is accomplished pursuant to a written contract or resolution approved and spread upon the minutes of an official meeting of the district's school board or board of supervisors. The annual grant to such district in any subsequent year during the term of the resolution or contract shall not be reduced below an amount equal to the district's grant amount for the year in which the contract or resolution was adopted.”

**Finding Detail:** During the review of the District's EEF, the auditor noted the District's EEF pledge to pay debt was not spread upon the Board Minutes of an official meeting."

Failure to spread the District's pledge of its Education Enhancement Fund to pay debt upon the Board's Minutes resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by ensuring all EEF pledges for the payment of debt are spread upon the Board Minutes of an official meeting, as required by State Law.

**District's Response:** The District will ensure the Education Enhancement Fund pledge is spread upon the minutes of an official meeting.

**Repeat Finding:** No.

---

**Finding 25:** The District Should Ensure Compliance with State Law Regarding Criminal Background Checks, Supplemental Contracts, and Board Approval.

**Applicable State Law:** *Section 37-9-14(2)(z)*, "In addition to other powers, authority, and duties imposed or granted by law, the superintendent of schools shall have the following powers, authority and duties: To temporarily employ licensed and nonlicensed employees to fill vacancies which may occur from time to time without prior approval of the board of trustees is notified of such employment and the action is ratified by the board at the next regular meeting of the board..."

*Section 37-9-17*, "...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 of Education or at such local school district prior to July 1, 2000..."

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

*Section 37-9-43*, "It shall be unlawful for any appointed superintendent, principal or licensed employee to be paid for any services as such until a written contract has been executed as is provided and required by this chapter. If any school district superintendent shall make any such payment prior to the execution of the contract he shall be civilly liable for the amount thereof, and, in addition, shall be liable upon his bond. If any licensed employee, appointed superintendent or principal shall willfully and without just cause breach his contract and abandon his employment he shall not be entitled to any further salary payments either for services rendered prior to such breach or for services which were thereafter to have been rendered. Nothing in this section, however, shall prevent the employment and payment of substitute teachers without a written contract."

**Finding Detail:** During the review of the District's certified employees and Board Minutes, the auditor noted the following exceptions:

- Ten certified employees' personnel files did not have evidence of criminal background checks;
- Seven certified employees' verified experience does not agree with the approved salary scales; and
- The following employees were paid without evidence of a supplemental contract or Board approval, totaling **\$61,719:**

- Three bus drivers - **\$33,152**
- Seven professional development - **\$1,800**
- 16 Instructional staff, training - **\$5,722**
- Three support staff. other activities - **\$1,613**
- Six extended school year program staff - **\$8,896**
- Three after-school program staff - **\$3,055**
- One extended school year SPED staff - **\$1,504**
- Two transportation staff - after school and ESY - **\$1,664**
- One SPED teacher - **\$3,000**
- One athletic supplement – activity - **\$1,313**

Failure to obtain background checks for all new hires could result in the wrongful hiring of an individual. Failure to have adequate controls and proper procedures for contracts and payroll also resulted in noncompliance with State Law.

**Recommendation:** We recommend that the District ensure compliance by ensuring criminal background checks are obtained and maintained in employees' personnel files and that all contracts are properly executed before paying the salary of certified employees, as required by State Law. Also, we recommend the District ensure all wages are paid according to the appropriate salary scales and are Board approved.

**District's Response:** The District will ensure compliance by assuring 1.) Criminal backgrounds checks are obtained and maintained in the personnel files of all employees; 2.) All contracts are properly executed before paying the salary of certified employees; and 3.) Salaries are paid according to the appropriate salary scales.

**Repeat Finding:** Yes.

---

**Finding 26:** The District Should Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees.

**Applicable State Law:** *Section 25-11-127(1)(a)*, “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)*, “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.”

*Section 37-9-37*, “In fixing their salaries, the school boards shall take into consideration on the character, professional training, experience, executive ability and teaching capacity of the licensed employee, superintendent, or principal. It is the intent of the Legislature that whenever the salary of the school district superintendent is set by a school board, the board shall take into consideration the amount of money that the district spends per pupil, and shall attempt to ensure that the administrative cost of the district and the amount of the salary of the superintendent are not excessive in comparison to the per pupil expenditure of the district.

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

- One PERS Form 4B did not have evidence of the retirement date; therefore, OSA could not verify if the retiree was rehired until 90 days after retirement;
- One PERS Form 4B did not have evidence of being filed with PERS; and
- For the fiscal year 2022, the Board approved **\$67,000** to **\$86,000** for the salary scale for the position of Athletic Director; however, the District reported the salary for this position as **\$100,000** to PERS in order to set the salary at **\$50,000**.

Failure to have adequate controls regarding the rehiring of retirees resulted in noncompliance with State Law. Additionally, failure to properly certify the Athletic Director's full-time salary could circumvent State Law. This is indicative of fraud, waste, and abuse.

**Recommendation:** We recommend the District ensure compliance by implementing adequate internal controls to ensure rehired retirees are properly paid and all PERS Form 4Bs are correctly completed and submitted to PERS, as required by State Law. Also, we recommend the District ensure the full-time salaries of all its retirees are adequately considered and certified to PERS.

**District's Response:** The District will implement procedures to ensure all pertinent information of PERS retirees is obtained and retained. Procedures will also be implemented to ensure all required PERS Form 4B are filed properly each fiscal year.

**Repeat Finding:** No.

---

**Finding 27:** The District Should Ensure Compliance with State Law Regarding Bereavement Leave.

**Applicable Administrative Decisions and Guidance:** *MS AG Op., Turner* at \*1 1 (February 24, 2022) states in part, "...The District's school board may not create a new category of bereavement leave. The statute as amended in 2019 does not create a specific type of leave for bereavement but instead provides an exception to the rule disallowing personal leave on specific days during the school year...The maximum number of allowable personal leave days and sick days is calculated based upon an individual's years of continuous service as specified in *Sections 25-3-93* and *25-3-95*. The three bereavement days referred to in *Section 37-7-307(3)(b)(iv)* are not additional days of leave or a new category of leave. Instead, they are exceptions to the statutorily imposed restrictions on the three types of days of the school term on which personal leave may not be taken."

**Finding Detail:** During the review of the District's Board Policies, the auditor noted the Board Policy on bereavement leave allows the District to pay its employees for three days for bereavement and pays the employees two additional days if long-distance travel is involved or there are extenuating circumstances. The extenuating circumstances are reviewed and determined by a committee and granted on a case-by-case basis.

Failure to ensure all employees are only allowed three days for bereavement resulted in noncompliance with State Law.

**Recommendation:** We recommend that the District ensure compliance by assuring that employees are only allowed three days of bereavement leave, as required by State Law.

**District's Response:** The District has implemented policies and procedures to ensure compliance with state law. The bereavement leave policy is no longer in effect.

**Repeat Finding:** No.

**Finding 28:** The District Should Ensure Compliance with State Law Regarding Surety Bonds.

**School Board Policy:** *Section D, Fiscal Management, Policy DJEA, Purchasing Authority*, states. “In addition to the Superintendent, the business manager is authorized as “purchasing agents” with general authority to negotiate for and purchase the commodities and services necessary for the operation of the school district, within the limits of budget categories and purchasing law.”

**Applicable State Law:** *Section 25-1-12(1)*, “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 25-1-19*, “...The bond of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the office of the clerk of the chancery court of the county...”

*Section 37-9-27*, “The Superintendent of any school district, before entering upon the duties of his office, shall furnish a good and sufficient surety bond in the penal sum of One Hundred Thousand Dollars (\$100,000.00), with sufficient surety. Such bond shall be filed and recorded in the office of the clerk of chancery court in which the school district is located, and shall 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.”

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

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

- There was no evidence of surety bonds for the Superintendent and two Purchasing Agents; however, they have been responsible for signing purchase orders;
- The Mississippi Achievement School District was listed as the obligee on three bonds instead of the Humphreys County School District;
- All surety bonds for fiscal year 2022 were not filed with the Chancery Clerk’s office in a timely manner:
  - Two bonds were filed on May 19, 2022; and
  - Seventeen bonds were filed on June 15, 2022.
- The District acquired an extra bond; however, OSA could not determine its purpose; and
- Based on the internal control questionnaire, walkthrough, and inquiry of the District’s personnel, OSA could not determine which employees handled cash and should be bonded.

Failure to correctly and sufficiently bond personnel and officials could limit the amount available for recovery in the event of fraud, theft, or misappropriation of public funds. Additionally, failure to file bonds with the Chancery Clerk’s office in a timely manner resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by State Law. Additionally, the Board should ensure all bonds for employees and officials are filed with the Chancery Clerk's office in a timely manner.

**District's Response:** The District will ensure that new bonds are secured with the cycle applicable to the employee, as statutorily required. The District will also ensure all officials' bonds are filed with the Chancery Clerk's office, as required.

**Repeat Finding:** Yes.

---

**Finding 29:** The District Should Ensure Compliance with State and Federal Laws Regarding District-Owned Vehicles.

**Applicable State Law:** *Section 25-1-87*, "All motor vehicles owned or leased by the State of Mississippi or any agency department or political subdivision thereof, which shall include counties, municipalities is support wholly or in part by public taxes or by appropriation from public funds, shall have painted on both sides in letters at least three (3) inches in height, and on the rear in letters not less than one and one-half (1 ½) inches in height, the name of the state agency or department, or political subdivision, which shall include counties and municipalities, in color which is in contrast with the color of the vehicle; provided however, that a permanent decal may be used in lieu of paint, and provided further,...No privilege license tag shall be issued for such vehicle until the name has been painted thereon or a permanent design or decal affixed thereto as required by this section."

**Applicable Federal Law:** *Treasury Regulation Section 1.61-21(c)(2)*, requires personal use of an employer's vehicle to be taxable to the employee's wages. The employer can choose to include all use as wages in which the employee may reimburse the employer for personal use rather than having it treated as wages. Under IRS rules, commuting between residence and work station is considered personal use. Also, under the general valuations rule for fringe benefits, the amount to include in income is fair market value and to be included in the employee's wages on their Form W-2.

**Finding Detail:** During the review of the District's vehicles, payroll report, and 2021 calendar year W-2s, the auditor noted the following exceptions:

- A 2019 Nissan Pathfinder and a white Dodge Van were not properly marked; and
- The Superintendent, Executive Director of Operations, and Chief of Schools are assigned District vehicles to commute daily from their residence to the Central Office; however, the fair market value is not included in their wages, nor have they reimbursed the District for personal use.

Failure to ensure all district-owned vehicles are marked resulted in noncompliance with State Law. Also, the failure to include the fair market value of the District's vehicles in its employees' salaries or require reimbursement from employees is in noncompliance with federal regulations and resulted in the employees' wages being understated.

**Recommendation:** We recommend the District ensure compliance by ensuring all vehicles are properly marked, as required by State Law. Additionally, we recommend ensuring the fair market of the District's vehicle utilized by its employees for their daily commute is included in their wages as a fringe benefit or personal use is reimbursed, as required by *Treasury Regulation Section 1.61-21(c)(2)*.

**District's Response:** The District will ensure compliance with *Treasury Regulation Section 1.61-21(c)(2)* by assuring the fair market value of the District's vehicles utilized by its employees for their daily commute is included in their wages as a fringe benefit or is reimbursed to the District.

**Repeat Finding:** No.

---

## INSTANCE OF NONCOMPLIANCE WITH FEDERAL LAW

**Finding 30:** The District Should Ensure Compliance with Federal Law Regarding the Children’s Internet Protection Act (CIPA).

**Applicable Federal Law:** *Children’s Internet Protection Act* states, “Schools and libraries subject to CIPA may not receive the discounts offered by the E-rate program unless they certify that they have an Internet safety policy that includes technology protection measures. The protection measures must block or filter Internet access to pictures that are: (a) obscene; (b) child pornography; or (c) harmful to minors (for computers that are accessed by minors). Before adopting this Internet safety policy, schools and libraries must provide reasonable notice and hold at least one public hearing or meeting to address the proposal...Schools and libraries subject to CIPA are required to adopt and implement an Internet safety policy addressing:

- Access by minors to inappropriate matter on the Internet;
- The safety and security of minors when using electronic mail, chat rooms, and other forms of
- direct electronic communications;
- Unauthorized access, including so-called “hacking” and other unlawful activities by minors
- online;
- Unauthorized disclosure, use, and dissemination of personal information regarding minors; and
- Measures restricting minors' access to materials harmful to them.”

**Finding Detail:** During the review of the District’s CIPA procedures, the auditor noted the District failed to provide documentation to support the claim that the District educated minors about appropriate online behavior.

Failure to provide documentation on the education to minors regarding appropriate online behavior resulted in noncompliance with Federal Law.

**Recommendation:** We recommend the District ensure compliance implementing adequate policies and procedures to ensure minors are properly educated on online behavior, as required by Federal Law.

**District’s Response:** The District will ensure federal laws are followed by ensuring policies are in place and by ensuring the policies are followed.

**Repeat Finding:** No.

---

**End of Report**