

JACKSON 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*



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

February 2, 2024

Limited Internal Control and Compliance Review Management Report

Jackson County School District
700 Colonel Vickery Road
Vanceleave, MS 39565

Dear Jackson County School Board Members:

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

1. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval;
2. Ensure Compliance with State Law over the Hiring of Its Athletic Director's Position; and
3. Ensure Compliance with State Law over Surety Bonds.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the **Jackson County School District** to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Charlotte L. Duckworth".

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

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

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

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

We identified certain deficiencies in internal control over financial reporting that we consider to be other deficiencies. These matters are noted under the heading **OTHER DEFICIENCY**.

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

OTHER DEFICIENCY AND INSTANCE OF NONCOMPLIANCE WITH STATE LAW

Finding 1: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval.

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

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

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

- On July 19, 2021, the Board approved the **2021-2022** original budget that included **28** funds reflecting a projected negative fund balance at year end:
 - Special Education Fund (1130) – **(\$1,735,790.59)**;
 - Alternative School Fund (1140) – **(\$90,729.20)**;
 - At Risk Fund (1145) – **(\$202,849.90)**;
 - Medicaid SBAC Fund (1901) – **(\$31,180.32)**;
 - School Recognition Program (2020) – **(\$2,817.15)**;
 - Summer Feeding FY21 Fund (2131) – **(\$11,866.67)**;
 - Title I-A FY20 Fund (2210) – **(\$404,959.06)**;
 - Title I-1003 (a) School Improvement Fund (2213) – **(\$78,990.17)**;

- FY20 Title I-1003 (a) School Improvement Fund (2214) – (\$262,769.28);
- FY21 Title I-1003 (a) School Improvement Fund (2215) – (\$292,114);
- Title I Cost Pool FY21 Fund (2291) – (\$236,132.50);
- Title II Part A FY20 Fund (2510) – (\$148,706.39);
- Title II Part A FY20 Fund (2511) – (\$90,622.06);
- ESSER I Fund (2590) – (\$209,533.66);
- Equity in Distance Learning ACT (EDLA) Fund (2592) – (\$2,593,994);
- MS Pandemic Response (MSPRBAA) Fund (2593) – (\$390,447.22);
- ESSER II Fund (2594) – (\$1,406,722.89);
- ESSER III Fund (2598) – (\$19,745.03);
- IDEA Part B Fund (2610) – (328,866.44);
- IDEA Part B FY21 Fund (2611) – (\$1,417,320.67);
- IDEA Part C Fund (2620) – (\$9,250.50);
- Vocational Education Fund (2711) – (\$436,168.74);
- Vocational Rehabilitation Fund (2721) – (\$66,461.12);
- Title IV Part A FY20 Fund (2810) – (\$936.81);
- Blue Cross Blue Shield Grant Fund (2901) – (\$22,934.87);
- Educational Interpreter Fund (2908) – (\$50,275.75);
- Sparklight Fund (2980) – (\$5,000); and
- 2006 Energy EFF Improve Retire Fund (4091) – (\$111,101.89)

The actual fund balances at 6/30/2022 were not negative; however, the approval of the fund budgets with ending deficit funds could result in noncompliance with state law.

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

District's Response: The district agrees with the finding and recommendation. This issue was already fixed for school year 2022-2023 as shown on attached board approved combining budget report.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Ensure Compliance with State Law over the Hiring of Its Athletic Director's Position.

Applicable State Law: *Mississippi Department of Education Guidelines for Mississippi Educator Licensure K-12, Five Year Athletic Administrator License Approved Program Route (495)*, provides that an Athletic Director should have a license in administration or a 495 Athletic Administration.

School Board Policy: *Section G, Personnel, Policy Code GFBD, Job Description: Athletic Director*, requires that an Athletic Director should have the following qualifications: 1.) AA in Education Administration, 2.) Three years varsity head coach experience, and 3.) Such alternative to the above qualification as the Board may find appropriate and acceptable.

Finding Detail: During the review of the School District's Board minutes, salary scales, and personnel files, the auditor noted the School Board approved the recommendation from the Superintendent to hire its Athletic Director. The Athletic

Director holds a class AA license with an endorsement 192 Social Studies instead of an AA in Administration as required by *Mississippi Department of Education Guidelines for Mississippi Educator Licensure K-12* and the District's Board policy.

Failure to ensure the Athletic Director met the qualifications required by both the *Mississippi Department of Education Guidelines for Mississippi Educator Licensure K-12* and the School Board's Policy resulted in noncompliance with state regulations and its Board policy.

Recommendation: We recommend the Jackson County School District ensure compliance by assuring all personnel meets the qualifications required per state regulations and its Board policy.

District's Response: To correct our policy, we are creating a new job description of Head Coach of Athletics to include the correct qualifications for this position.

Auditor's Note: Per review of both the School District's website and rosters for baseball, football, and bass fishing, this employee is not a part of the individuals listed as staff; however, he is listed on the website as the Athletic Director. Although the District will be changing its Board policy to accommodate the qualification of this personnel, the School District's policy should also comply with the requirements noted by the *Mississippi Department of Education*.

Repeat Finding: No.

Finding 3: The School District Should Ensure Compliance with State Law over Surety Bonds.

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

Section 25-1-19, Mississippi Code Annotated (1972), states, "The bond of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the chancery court of the county..."

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

Section 37-39-21, Mississippi Code Annotated (1972), states, "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 School District's surety bonds, the auditor noted the following exceptions:

- Bonds were not on file in the Chancery Clerk's office for:
 - Four Board Members
 - Superintendent;
 - 12 Principals; and
 - Eight Purchase Agents;
- Two Principals and two Board members were not bonded;
- Two Purchasing Agents were covered by continuation certificates;
- Although the Business Manager and School Bookkeepers are responsible for handling and recording public funds and this is not incidental to their job duties, they were not bonded; and
- The School District did not make a finding upon its Board minutes that gatekeepers and cafeteria cashiers' jobs were incidental to his or her employment and do not require bonds would be an occasional, not regularly recurring, handling of funds which is random and infrequent or an immaterial amount of money.

A "continuation certificate" is a document that extends the life of the original surety bond. A continuation certificate only covers the current bonding period rather than both the current and previous periods. In the event of fraud or misappropriation of funds, having continuation certificates instead of new bonds could limit the amount available for recovery if the loss occurred over multiple terms.

Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds. Failure to file bonds with the County's Chancery Clerk's office also resulted in a violation with state law.

Recommendation: We recommend the Jackson County School District ensure compliance by assuring all employees are properly and sufficiently bonded. Additionally, the Board should ensure all bonds for employees and officials are filed with the Chancery Clerk's office.

District's Response: The District agrees with the findings and recommendation. However, we would note that the two continuation certificates noted as exceptions were on bonds no longer needed due to change in purchasing agent definition and that the blanket bond noted as an exception is incorporated in our crime policy with coverage up to \$100,000 per occurrence that covers all employees. The other exceptions noted above are due to a personnel issue. The personnel are no longer with the district and the responsibility of surety bonds has been transferred to the Business Office for oversight. Bonds have been secured for the individuals noted as lacking bonds and all bonds have been filed at the Chancery Clerk's office.

Repeat Finding: No.

End of Report