

JONES COUNTY SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

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

SHAD WHITE, CFE
State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*



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

March 19, 2023

Limited Internal Control and Compliance Review Management Report

Jones County School District
5204 Hwy 11 North
Ellisville, MS 39437

Dear Members of the **Jones County School Board**:

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

1. Strengthen Internal Controls over Activity/Athletic Fund Revenue;
2. Strengthen Internal Controls and Ensure Compliance with State Law over the Budget Approval;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Scholarships;
5. Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Land Deposits, Lease Payments, Appraisals, and Taxes;
6. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
7. Ensure Compliance with State Law over Superintendent Recommendations and Supervision of Relatives within the First Degree;
8. Ensure Compliance with State Law over Board Member Ethics and Nepotism;
9. Ensure Compliance with State Law over Principals and Directors Recommendations and Supervision of Relatives Within the First Degree;
10. Ensure Compliance with State Law over Public Depositor's Annual Report;
11. Ensure Compliance with State Law over Purchasing Procedures and the Payment of Invoices;
12. Ensure Compliance with State Law over Ratifying Checks Disbursed by Individuals Other than the Superintendent;
13. Ensure Compliance with State Law over Credit Card Usage;
14. Ensure Compliance with State Law over Free Admissions to School-Sponsored Events and the Purchase of Mississippi High School Activities Association (MHSAA) Statewide Passes;
15. Ensure Compliance with State Law over Sixteenth Section Educable Child Lists;
16. Ensure Compliance with State Law over Certified Teacher' Contracts and Personnel Files;
17. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
18. Ensure Compliance with State Law over Surety Bonds.

The enclosed findings contain more information about our recommendations. During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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

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

Sincerely,

A handwritten signature in blue ink, reading "Charlotte L. Duckworth". The signature is fluid and cursive, with the first name "Charlotte" being the most prominent part.

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

The Office of the State Auditor has completed its limited internal control and compliance review of the **Jones 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)*, Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

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

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

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

SIGNIFICANT DEFICIENCY

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

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

Board Policy: *Section D, Policy DK, Student Activities Fund Management*, states, "Receipts... A person remitting activity funds to the principal for deposit will be given the original receipt, the second copy will be attached to the transmittal report to the central office, and the third copy will be kept in the book and on permanent file in the principal's office. All of these prenumbered receipts must be accounted for. A copy of the deposit slip indicating the amounts of money deposited to the bank must also be attached to the transmittal report. The deposit slip should indicate the sequence of receipt numbers that particular deposit covers. The school board shall set a dollar limit on the amount of money that may be receipted without being deposited. The dollar limit should be such that the accumulation of undeposited money on hand in each particular school in the district."

School Board Policy, Section D, Fiscal Management, Policy DK – Student Activities Fund Management, also states, "Within five working days of the close of the month, a principal shall deliver to the central office a transmittal of all activity fund receipts and disbursements during the preceding month. This transmittal form shall contain receipts and disbursements by

individual activity. It will list each check by check number, date and purpose and each deposit by date, receipt numbers and source. Upon receipt of the transmittal forms, the central office staff shall review them for accuracy and completeness prior to making the entries to the accounting records. The information from the transmittal form will be used to reconcile the monthly bank statements. All school district activity fund transmittal reports and bank reconciliations shall be reviewed and approved by the school board. This approval shall be acknowledged in the board's official minutes.”

Finding Detail: During the review of the School District’s activity/athletic fund revenue, the auditor noted the following exceptions:

- 33 transmittal forms were not completed by the school;
- 26 transmittal forms were not submitted to the District’s Central Office within five days after the close of month;
- 16 deposits were not made in a timely manner ranging from four to 45 days after monies were receipted; and
- There was a net overage of **\$33** between deposits and ticket sales.

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

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

District’s Response: Jones County School District recognizes the instances listed above. However, most transactions were made timely and in accordance with our school district policy. JCSD will strengthen internal controls and adhere to all district policies and procedures of activity funds. Please reference JCSD board policy DKD - Revenues from Gate Receipts and Admissions.

Repeat Finding: No.

OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

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

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

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

Section 37-61-9, Mississippi Code Annotated (1972), requires 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 copies should be filed within the District.

Finding Detail: During the review of the School District’s budgets, the auditor noted the original 2021-2022 budget included the following four funds reflecting a negative fund balance at year-end:

- District Maintenance Fund (1120) - **(\$508,791.42)**;
- 16-7-10 Interest Fund (1844) - **(\$600)**;
- Forestry Escrow Fund (2830) - **(\$42,140)**; and
- 2020 3 Mill Note Proceeds Fund (3036) - **(\$102,972)**.

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

Recommendation: We recommend the Jones 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: In the four instances listed, each of these funds had existing fund balances that exceeded the excess expenditures. Therefore, no violation of *Section 37-61-9* occurred since resources were available in the fund for budgeted expenditures.

Auditor's Note: As stated by OSA above, the actual fund balances at June 30, 2022 were not negative; however, the Board approval of ending deficit fund balances could result in noncompliance with state law

Repeat Finding: No.

Finding 3: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations.

Internal Control Deficiency: Management is responsible for ensuring that the assets of the District are safeguarded and transactions are properly documented in the District's financial records. A critical aspect of internal controls is to ensure outstanding checks and deposits are balanced per the District's bank statements and reconciled against the amount of cash listed on the District's general ledger. The reconciliation process enables the Business Office to make adjusting journal entries to correct any mistakes or unrecorded items in the District's financial records.

Applicable State Law: *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 board meeting after the bank statements are reconciled to the District's general ledger cash balance in a timely and accurate manner."

Finding Detail: During the review of the School District's bank reconciliations and investment statements, the auditor noted the following exceptions:

- Four bank accounts were not properly reconciled to the general ledger's cash balance resulting in a difference totaling **\$1,038**:
 - East Jones Elementary Activity Account **\$110**
 - South Jones Elementary Club Account **\$125**
 - West Jones High Activity Account **\$906**
 - West Jones High Club Account **(\$103)**

- The District's investment account was not properly reconciled to the financial statements resulting in a difference totaling **(\$16,896)**.

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.

Recommendation: We recommend the Jones County School District strengthen internal controls and ensure compliance by assuring all transactions are properly recorded in the District's general ledger and all variances from book balances are accounted for in a timely manner. Also, we recommend the School District reconcile bank 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: Jones County School District recognizes the findings listed above. All adjustments for any items noted on activity or club bank reconciliations were made in subsequent months. An adjustment has been made to the fair market values of the district's investments to properly reflect the amounts indicated on the district's investment statements.

Repeat Finding: No.

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Scholarships.

Internal Control Deficiency: *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread-way Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place.

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

Finding Detail: During the review of the School District's funds, the auditor noted that the Moore Family Scholarship Fund is maintained by the District. Per the *MS AG Opinion 1980 WL 28797*, there is no authority where the School District is approved to do so.

Maintaining an improper account could lead to fraud, misappropriation or loss of funds.

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

District's Response: Jones County School District recognizes that the Moore Family Scholarship Fund is utilizing the district tax id number and that funds are being maintained by the school district. We are working with another entity to transfer ownership of this scholarship fund and remove Jones County School District from having access to the funds.

Repeat Finding: Yes; Finding 1.

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Land Deposits, Lease Payments, Appraisals, and Taxes.

Internal Control Deficiency: *The Internal Control – Integrated Framework published by the committee of Sponsoring Organizations of the Tread-way Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions,

and maintaining custody of related assets be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Applicable State Law: *Section 27-35-71, Mississippi Code Annotated (1972)*, states, “Sixteenth section lands reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be liable, after the same shall have been leased, to be taxes 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 Section (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.”

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

- Twelve deposits for lease payments were made four to 13 days late;
- Five lease agreements did not have an appraisal on file to verify an appraisal was completed prior to entering into a new lease agreement;
- Two lease payments were paid more than 60 days late; however, the lease agreements were not terminated; and
- One leaseholder’s taxes were not current; however, the lease agreement was not terminated.

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

Recommendation: We recommend Jones County School District strengthen internal controls and ensure compliance by assuring all lease payments are made within 60 days, taxes are current, deposits are made in a timely manner, an appraiser is appointed one year before the rental of sixteenth section land and the original appraisal is maintained in the files, as required by state law.

District’s Response: Jones County School District recognizes the noted findings related to sixteenth section land leases. JCSD will strive to adhere to the District’s policies and procedures set forth by the board of education. The district will also strengthen internal controls to ensure compliance with the state law.

Repeat Finding: No.

Finding 6: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements.

Internal Control Deficiency: Management is responsible for ensuring that all travel reimbursements expenditures are correctly recorded, allowed, and documented, as required by the Department of Finance and Administration. Proper internal controls would include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms.

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: ... 3. 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 State Department of Finance and Administration and rules and regulations adopted by the State Department of Audit...The superintendent shall comply with the rules and regulations of the State Department of Audit regarding itemized expense accounts upon return of the employee.”

Applicable State Law: *Section 25-3-41(4), Mississippi Code Annotated (1972)*, states, “In addition to the foregoing, a public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the travel, subject to limitations placed on meals for intrastate and interstate official travel by the Department of Finance and Administration, provided, that the Legislative Budget Office shall place any limitations for expenditures made on matters under the jurisdiction of the Legislature. The Department of Finance and Administration shall set a maximum daily expenditure annually for such meals and shall notify officers and employees of changes to these allowances immediately upon approval of the changes.”

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

- One travel voucher did not have corroborating evidence to support the trip;
- One meal reimbursement did not have evidence of itemized receipts for actual expenses; and
- One travel voucher did not have evidence the program or agenda from conference/workshop; therefore, the auditor could not verify if meals were included with registration.

Failure to have adequate internal controls could result in fraud, loss, or misappropriation of public funds and resulted in noncompliance with state law.

Recommendation: We recommend the Jones County School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure reimbursements for professional travel expenses are as required by state law.

District’s Response: Jones County School District recognizes the findings listed above related to travel reimbursements. The District has addresses travel expenditures with the staff and will train all staff on the required documentation, immediately.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 7: The School District Should Ensure Compliance with State Law over Superintendent Recommendations and Supervision of Relatives within the First Degree.

Applicable State Law: *Section 25-4-105(1), Mississippi Code Annotated (1972)*, prohibits a public servant from using his or her position to obtain or attempt to obtain any pecuniary benefit for his or her spouse or other “relative,” as that term defined in *Section 25-4-103(q)*.

Mississippi Ethics Commission Opinion 11-012-E, provides that if the school board's designee recommends the Superintendent's relative as defined in *Section 25-4-103(q)*, then the Superintendent must fully recuse himself from the matter to comply with *25-4-105(1)*. Furthermore, the minutes of the meeting should state the Superintendent left the room before the matter came before the school board and did not return until after the vote.

Mississippi Ethics Commission Opinion 15-059-E, provides that while the school board's designee may recommend the superintendent's relatives as defined in *Section 25-4-103(q)* for employment in certain positions at a school, the Superintendent will be in violation of *25-4-105(1)*, if a relative is employed as an Administrator within its District's office, because the Superintendent will have direct supervision of this relative.

Section 37-9-17(1), Mississippi Code Annotated (1972), states, "The school board of any local school district shall be authorized to designate a personnel supervisor or another principal employed by the school district to recommend to the superintendent licensed employees or noninstructional employees; however, this authorization shall be restricted to no more than two (2) positions for each employment period for each school in the local school district. Any noninstructional employee employed upon the recommendation of a personnel supervisor or another principal employed by the local school district must have been employed by the local school district at the time the superintendent was elected or appointed to office; a noninstructional employee employed under this authorization may not be paid compensation in excess of the statewide average compensation for such noninstructional position with comparable experience, as established by the State Department of Education."

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

- The School Board approved the Superintendent's son as its Assistant Superintendent. The employment of their son as the Assistant Superintendent makes them a Central Office employee who is directly under the supervision of the Superintendent;
- The Superintendent recommended the rehire of their daughter-in-law (secretary) to the School Board; and
- The Superintendent recommended the hiring of their brother (substitute teacher) to the School Board.

Failure to ensure the Superintendent's family members within the first degree are not employed in the Central Office nor recommended by the Superintendent resulted in a noncompliance with state law and regulations.

Recommendation: We recommend the Jones County School District ensure compliance by assuring family members of the Superintendent in the first degree are not employed in the Central Office or recommended by him or her, as required by state law and regulations. This matter has been referred to the Mississippi Ethics Commission.

District's Response: The District disagrees. The Superintendent's son answered to and was directly supervised by the Deputy Superintendent. The Superintendent's brother was recommended by the designated district personnel Director. The Superintendent's daughter-in-law never worked under his rehire recommendation.

Auditor's Note: As noted in the *Ethics Opinion 15-059-E* above, it is not permitted for the Superintendent's son, who is related within the first degree, to work in the District's Central Office. The son's position as an Assistant Superintendent falls under the Superintendent's direct supervision. Additionally, if the Superintendent does not recuse himself from the rehire of both his brother and daughter-in-law, and this action is not spread upon the Board minutes.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Board Member Ethics and Nepotism.

Applicable State Law: *Section 25-4-105(1), Mississippi Code Annotated (1972)*, prohibits a public servant from using his or her position to obtain or attempt to obtain any pecuniary benefit for his or her spouse or other “relative,” as that term defined in *Section 25-4-103(q)*.

Mississippi Ethics Commission Opinion 07-059-E provides that the trustee must recuse himself or herself from any action which would result in a pecuniary benefit to relatives defined in *Section 25-4-103(q)*.

Section 37-9-21, Mississippi Code Annotated (1972), states, “It shall be illegal for any superintendent, principal or other licensed employee to be elected by the school board if such superintendent, principal or licensed employee is related within the third degree by blood or marriage according to the common law to a majority of the members of the school board. No member of the school board shall vote for any person as a superintendent, principal or licensed employee who is related to him within the third degree by blood or marriage or who is dependent upon him in a financial way. Any contract entered into in violation of the provisions of this section shall be null and void.”

Finding Detail: During the review of the School District’s related parties, the auditor noted one Board member approved their hire of their daughter-in-law as a certified teacher.

Failure of the Board member to recuse themselves from the vote on the rehire of a relative resulted in noncompliance with state law and regulations.

Recommendation: We recommend the Jones County School District ensure compliance by assuring all Board members recuse themselves during the rehire of certified employees within the third degree, as required by state law and regulations. This matter has been referred to the Mississippi Ethics Commission.

District’s Response: The JCSD will use the related party questionnaire, verbal reminders, written reminders and electronic reminders to ensure all board members recuse themselves from voting or being present for a vote of any relative. The action mentioned has been corrected through resignation.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Principals and Directors Recommendations and Supervision of Relatives within the First Degree.

Applicable State Law: *Section 25-4-105 (1), Mississippi Code Annotated (1972)*, prohibits a public servant from using his or her position to obtain or attempt to obtain any pecuniary benefit for his or her spouse or other “relative,” as that term defined in *Section 25-4-103(q)*.

Mississippi Ethics Opinion 21-033-E, states, “While *Section 37-9-17, Mississippi Code of 1972*, provides a “step-aside” provision allowing the school board’s designee to recommend the principal’s relatives, a violation of *Section 25-4-105(1)* is virtually inevitable when one relative directly supervises another relatives and create an appearance of impropriety in conflict with *Section 25-4-101*... Moreover, the Ethics Commission has repeatedly opined that when one relative directly supervises another relative, a violation of *Section 25-4-105(1)*.... Likewise, having the principal’s subordinate employee supervise the principal’s relatives and recommend the relative places the subordinate in an unenviable and perhaps untenable position which does little to quell public suspicion and should be avoided. For these reasons, school principals should not be allowed to directly supervise their relatives, and those relatives should be transferred to other schools.”

Section 37-9-17(1), Mississippi Code Annotated (1972), states, “The school board of any local school district shall be authorized to designate a personnel supervisor or another principal employed by the school district to recommend to the superintendent licensed employees or noninstructional employees; however, this authorization shall be restricted to no more

than two (2) positions for each employment period for each school in the local school district. Any noninstructional employee employed upon the recommendation of a personnel supervisor or another principal employed by the local school district must have been employed by the local school district at the time the superintendent was elected or appointed to office; a noninstructional employee employed under this authorization may not be paid compensation in excess of the statewide average compensation for such noninstructional position with comparable experience, as established by the State Department of Education.”

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

- One Principal recommended and supervised their daughter-in-law (certified teacher); and
- The Transportation Director’s sister (bus driver) was recommended for rehire by the Assistant Superintendent; however, according to the District’s organizational chart, she is supervised by him.

Failure to ensure that administrators do not recommend nor supervise their spouse and child resulted in a noncompliance of state law and regulations.

Recommendation: We recommend Jones County School District ensure compliance by assuring all Principals and Directors do not recommend nor supervise their relatives, as required by state law and regulations. This matter will be referred to the *Mississippi Ethics Commission*.

District’s Response: To comply with state law and the MS Ethics Commission, the JCSD has implemented procedures to eliminate the incorrect recommendation and employment of related parties immediately. The instances mentioned have been corrected through resignation and/or transfer.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Public Depositor’s Annual Report.

Applicable State Law: *Section 27-105-5(6) (b), Mississippi Code Annotated (1972)*, states, “Not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end.”

Finding Detail: During the review of the School District’s depositories, the auditor noted the District did not submit their Public Depositor’s Annual Report within 30 days after fiscal year ended June 30, 2022.

Failure to submit the Public Depositor Annual Report in a timely manner could result in the State Treasurer’s Office having inaccurate records and increase the risk that the District’s total deposits may not be properly collateralized. Also, it resulted in noncompliance with state law.

Recommendation: We recommend the Jones County School District ensure compliance by assuring the Public Depositor Annual Report is submitted accurately to the State Treasurer’s Office within 30 days of fiscal year end, as required by state law.

District’s Response: Jones County School District concurs with the finding listed above in regards to filing the Public Depository Annual Report. JCSD will adhere to deadlines set forth by the State of Mississippi.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Law over Purchasing and the Payment of Invoices.

Board Policy: *Board Policy, Section D, Fiscal Management, Policy DJEG, Purchase Orders and Contracts*, states, “One of the most important aspects of control over expenditures is an efficient and effective system of purchasing. Each school district shall establish a purchasing system. A well-designed system of purchasing will include: 1. Requisitions (2 part) 2. Purchase Orders (3 part) 3. Receiving Reports (2 part) ... 5. Prior to paying any claim, the accounts payable clerk should match the following documents: a. Purchase requisitions b. Purchase order c. Receiving report (or vendor invoice signed by personnel indicating receipt of the material) d. Vendor invoice (where receiving reports are used).”

Applicable State Law: *Section 31-7-13(b), Mississippi Code Annotated (1972)*, states, “Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$ 50,000.00), exclusive of freight and shipping charges may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained... Bids submitted by electronic transmission shall not require the signature of the vendor's representative unless required by agencies or governing authorities.”

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

Mississippi Department of Information Technology Services, Instructions for Use Memorandum, Instructions for Use: IT Hardware EPL 3760, states, “... 11. EPL Audit Integrity 11.1. It is the responsibility of every customer using the EPL to maintain proper records to reflect that all procurements from the EPL are made in accordance with ITS policies and procedures. 11.2. What Goes in Your Purchase/Audit File? 11.2.1. Make sure you provide adequate documentation that you followed the recommendations and directives in this Instructions for Use Memorandum.

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

- Eleven quotes did not contain signatures nor evidence to show quotes were received electronically;
- Ten invoices did not contain a received date evidenced by a stamp nor any other signed form, as required by the District’s Board policy;
- Ten purchase requisitions were not included in purchasing documentation, totaling **\$158,987**;
- Seven vendor purchases in excess of **\$5,000** did not have evidence of two bids/quotes, totaling **\$131,001**;
- Four receiving reports or invoices were not signed and dated;
- Three vendor purchases that were on the Express Product List (EPL); however, the District did not have evidence of the EPL paperwork;
- Two vendor payments were issued on the school level prior to Board approval and not ratified in subsequent Board meeting minutes;
- Two expenditures did not have evidence of purchase orders, totaling **\$13,744**;
- Two vendor payments were made after 45 days; and
- One quote was not dated.

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

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

District's Response: JCSD recognizes the findings listed above, however, remains decentralized for all activity and club accounts. To comply with *Section 31-7-13(b)*, and *Section 31-7-31 (d)(i) Mississippi Code Annotated (1972)*, as well as the Mississippi Department of Information Technology Services, the District will train staff on these policies and the required documentation for purchasing with public funds.

Repeat Finding: No.

Finding 12: The School District Should Ensure Compliance with State Law over Ratifying Checks Disbursed by Individuals Other than the Superintendent.

Applicable State Law: *Section 37-7-301(o), Mississippi Code Annotated (1972)*, states, "To make orders directed to the superintendent of schools for the issuance of pay certificates for lawful purposes on any available fund of the district and to have full controls of the receipt, distribution, allotment and disbursement of all fund provided for the support and operation of the schools of such school district whether such funds be derived from state appropriations, local ad valorem tax collections, or otherwise. The local school board shall be authorized and empowered to promulgate rules and regulations that specify the types of claims and set limits of the dollar amount for payment of claims by the superintendent of schools to be ratified by the board at the next regularly scheduled meeting after payment has been made..."

Section 37-9-14(3), Mississippi Code Annotated (1972) states, "All fund to the credit of a school district shall be paid out on pay certificates issued by the superintendent upon order of the school board of the school district properly entered upon the minutes thereof, and all such order shall be supported by properly itemized invoices from the vendors cover the materials and supplies purchased."

Mississippi Attorney General Opinion 2002-0658 provides that pay certificates may be issued by the Superintendent without prior approval of the school board on the payment of specific claims in accordance with exceptions noted within *Section 37-9-14(7)*, such as teacher's salaries, salaries of drivers of publicly owned school buses, travel advances, amounts due private contractors or other obligations where the amount thereof has been previously approved by a contract or by an order of the school board entered upon its minutes, or by inclusion in the current fiscal year budget.

Finding Detail: During the review of the School District's check disbursements, the auditor noted the Principals at each school location disbursed checks and were never presented to the School Board for approval.

Failure to ensure checks disbursed by Principals were Board approved prior to the disbursement could result in fraud or misappropriation of public funds, and resulted in noncompliance with state law and regulations.

Recommendation: We recommend the Jones County School District ensure compliance by assuring the Board authorizes all payments prior to disbursing the monies by individuals not allowed by state law and regulations.

District's Response: Jones County School District recognizes the findings listed above, however, remains decentralized for activity and club accounts. JCSD will comply with *Section 37-7-301(o)* and *Section 37-9-14(3) of Mississippi Code Annotated (1972)*. The District will also comply with the AG's *Opinion 2002-0658*.

Repeat Finding: No.

Finding 13: The School District Should Ensure Compliance with State Law over Credit Card Usage.

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

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

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

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

- The District could not provide charge slips for 20 procurement card purchases; therefore, OSA cannot determine if the expenses were properly reconciled to the statements; and
- The School Board did not approve the use of its merchant – specific card, Laurel Oil, Inc.

Failure to have adequate internal controls surrounding the District’s procurement card purchases could result in waste, fraud, and abuse of public funds. Also, failure to ensure the Board approve the use of merchant specific cards resulted in noncompliance with state law and regulations.

Recommendation: We recommend the Jones County School District ensure compliance by implementing adequate policies and procedures in regards to obtaining and the usage of merchant – specific credit cards and ensure all receipts are properly maintained, as required by state law and regulations.

District’s Response: Jones County School District concurs with this finding related to procurement cards for fuel. JCSD will comply with the *Department of Finance and Administration (DFA) 10.112.03* and *(DFA) 10.112.04*. The District will train all staff on the procedures for use of fuel cards and the proper documentation needed for use.

Repeat Finding: No.

Finding 14: The School District Ensure Compliance with State Law over Free Admission to School-Sponsored Events and the Purchase of Mississippi High School Activities Association (MHSAA) Statewide Passes.

Applicable State Law: *Mississippi Attorney General Opinion 2005 WL 832129*, provides that free admission to sporting and social events would not be permissible.

Mississippi Attorney General Opinion 2011-00405, states, “Pursuant to Section 96, teachers who are current under contract to perform services during the school year may not be given extra compensation using state dollars for services rendered which are already covered by the contract. *MS AG Op., Adams January 10, 2003*. If teachers have already contracted with the school district and part of their contractual duties include working games and extra-curricular activities, Article 4, Section 96 of Mississippi Constitution prohibits the school district from using state dollars to compensate the teachers for services rendered which are already covered by the contract.”

Article 4, Section 96, Mississippi Constitution, states, “The legislature shall never grant extra compensation, fee, or allowance, to any public officer, agent, servant, or contractor, after service rendered or contract made, nor authorize payment, or part payment, of any claim under any contract not authorized by law...”

Finding Detail: During the review of the School District’s MHSAA statewide passes, the auditor noted the District paid for 16 MHSAA statewide passes for the following individuals without being reimbursed, totaling **\$480**:

- Five School Board Members;
- Business Manager/CFO;
- Special Education Director;
- Maintenance Director;
- Federal Programs Director;
- Federal Programs Assistant Director;
- Two Eligibility and Data Clerks;
- One Teacher;
- Fine Arts Assistant;
- One School Resource Officer contracted thorough ProTec; and
- One Non-District related individual.

Failure to have a Board – approved policy that states the benefit of allowing its personnel free admission or requiring the attendance of personnel to school – sponsored events could result in an illegal donation. Additionally, failure to be reimbursed for the purchase of MHSAA statewide passes for individuals not employed at the School District or District employees other than the Coaches, Superintendent, Athletic Directors, Athletic staff, and Middle/High School Principals could result in an illegal donation.

Recommendation: We recommend the Jones County School District ensure compliance by implementing adequate policies in regards to the payment of MHSAA statewide passes for its District personnel and non-District parties to school sponsored events to avoid noncompliance with state law and regulations.

District’s Response: Jones County School District doesn’t recognize this particular finding as an action of non-compliance with state laws and regulations. State athletic passes are purchased for employees who the Superintendent and School Board deem necessary to be on duty and responsible for the School District. These employees are responsible for the actions and liabilities while attending these events. The District agrees that the school resource officer and non-District related individual’s state athletic pass should not be purchased in the future.

Auditor’s Note: As noted above, if MHSAA statewide passes are purchased for District employees other than Coaches, Superintendent, Athletic Directors, Athletic staff, Band Directors, and Middle/High School Principals and are not a part of their job duties, the District should be reimbursed. Without reimbursement, this could result in an illegal donation.

Repeat Finding: No.

Finding 15: The School District Should Ensure Compliance with State Law over Sixteenth Section Educable Child Lists.

Applicable State Law: *Section 29-3-121, Mississippi Code Annotated (1972)*, states, “It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as

to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year as provided by *Section 29-3-119, Mississippi Code Annotated (1972).*”

Finding Detail: During the review of the School District’s educable child lists, the auditor noted for the 2021-2022 school years, lists were not filed by the December 31st deadline.

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

Recommendation: We recommend Jones County School District ensure compliance by assuring all educable child lists are prepared and filed with the Superintendents of each custodial district by December 31st of each year, as required by state law.

District’s Response: Jones County School District recognizes that the fiscal year 2022 educable child list were not submitted to other school districts until January 4, 2022. State law requires that the educable child list be submitted by December 31st annually. JCSD was in compliance with the FY2023 submission. The list were submitted on December 15, 2022.

Repeat Finding: No.

Finding 16: The School District Should Ensure Compliance with State Law over Certified Teachers’ Contracts and Personnel Files.

Applicable State Law: *Section 37-19-7, Mississippi Code Annotated (1972)*, states, “The allowance in the Mississippi Adequate Education Program for teachers’ salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers’ salaries as provided in this subsection.”

Mississippi Attorney General Opinion 1984 WL 247596 and *Section 37-9-43, Mississippi Code Annotated (1972)*, states, “It shall be unlawful for a superintendent, principal, or teacher 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 county superintendent or municipal separate 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, the county superintendent shall be liable upon his bond. Therefore, it is our opinion that since teachers can only be paid pursuant to the written contract, they could not, under the circumstances you describe, receive pay for extra work which is not a part of their contract with the school District.”

Accounting Manual for School Districts, Section B, Miscellaneous Issues, Personnel Files, prescribed by the *Mississippi Department of Education*, states, “There shall be individual personnel files in the school district central office, which include contracts, a copy of teacher certificates, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals.” Additionally, all new hired licensed and non-licensed employees are required to have criminal records background and child abuse registry checks.

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

- Eleven certified employees were paid supplemental salaries totaling **\$48,153**; however, there was no evidence of signed contracts on file; and
- Seven certified teachers’ personnel files did not include the educator’s certifications.

Failure to have adequate controls and the documentation surrounding supplemental contracts and certifications resulted in noncompliance with state law.

Recommendation: We recommend the Jones County School District ensure compliance by assuring all contracts are properly executed prior to paying the salary of its certified employees and included within the employees' personnel files, as required by state law. Also, we recommend the School District ensure educator certifications are in all personnel files.

District's Response: The District disagrees. The District maintains and updates personnel files for all employees. The employees in question were paid supplements in accordance to the School Board approved salary scale for the fiscal year.

Repeat Finding: No.

Finding 17: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

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

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

Board Regulation 60, Section 101, prescribed by the Public Employees' Retirement System (PERS) of Mississippi, states, "Pursuant to *Mississippi Code Annotated § 25-11-123 (1972, as amended)*, the Board of Trustees of the Public Employees' Retirement System of Mississippi is authorized to set the contribution rates for both employee and employer contributions based on the basis of the liabilities of the retirement system as shown by the actuarial valuation.

The employee and employer contribution rates are as follows:

1. Employee Contribution Rate - 9.00 percent of earned compensation effective July 1, 2010; and
2. Employer Contribution Rate - 17.40 percent of earned compensation effective July 1, 2019."

Finding Detail: During the review of the School District's PERS Form 4Bs, the auditor noted the following exceptions out of 25 tested:

- 24 PERS Form 4Bs did not have evidence of being submitted to PERS;
- Seven PERS Form 4Bs did not have the complete retirement date; therefore, the auditor could not determine if the retiree was rehired 90 days after retirement;
- One PERS Form 4B allowed salary was inaccurately calculated;
- One retiree was paid more than the allowed salary by PERS, totaling \$74;
- One retiree was rehired before 90 days after retirement; and

- The District paid less than the PERS 17.40 percent employer contribution rate required on behalf of seven retirees, totaling **\$2,413**.

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

Recommendation: We recommend the Jones County School District ensure compliance by assuring to properly pay employees, complete, and file Form 4Bs are submitted to PERS. Also, the School District should ensure that PERS contributions are being properly calculated and paid with the applicable rates stated by PERS, as required by state law and regulations.

District's Response: Jones County School District recognizes the above listed findings related to the Public Employees Retirement System. The District will strengthen internal controls to ensure timely and accurate information when paying current employees and completing the Form 4B for reemployment. JCSD will make all administration aware of the specific provision of the 90 day re-employment regulations.

Repeat Finding: No.

Finding 18: The School District Should Ensure Compliance with State Law over Surety Bonds.

Board Policy: *Section D, Policy iDJEa, Purchasing Authority*, states, "... "Purchasing agent" shall mean superintendent, administrative superintendent pursuant to *Section 37-38-1, Mississippi Code 1972* as amended. This school board hereby designates other individuals as "purchasing agents" subject to the limitations set forth below. In addition to the superintendent/administrative superintendent the school board hereby designates the assistant superintendent and business manager 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), Mississippi Code Annotated (1972)* states, "Notwithstanding any other provision of law to the contrary, any public officer or employee handling or having the custody of public funds, by virtue of his or her office or employment, shall give an individual bond or be covered by a blanket bond. The amount of such bonds shall not be less than Twenty-five Thousand Dollars (\$25,000.00) for each public officer or employee, unless a specific amount is otherwise required by law. The provisions of this section shall not apply to any public officer or employee whose activity of handling or having custody of public funds is incidental to his or her employment or job duties, as defined by the regulations of the State Auditor's office."

Section 25-1-19, 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..."

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

- Seven employees' bonds did not cover the entire fiscal year 2022:
 - Four Bookkeepers;
 - Two Internal Control Accountant;
 - One 16th Section Bookkeeper; and
 - One Resource Officer
- The following District employees handle cash; however, they are not bonded:
 - Gatekeepers/Certified Teachers;

- One accounts payable clerk;
 - Three Bookkeepers;
 - Cafeteria Assistant Managers
 - Cafeteria Managers;
 - Cafeteria Workers;
 - Cafeteria Executive Assistant; and
 - Club Sponsors.
- The Transportation Operations Director, School Maintenance Operations Director, and Purchasing & Fixed Asset Clerk were bonded as Purchasing Agents during fiscal year 2022; however, the District's Purchasing Authority policy does not designate these positions as Purchasing Agents.

Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms and result in the loss of public funds. Additionally, failure to ensure all employees are correctly and sufficiently bonded resulted in noncompliance with state law and regulations.

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

District's Response: The District disagrees with the recommendation of bonding employees for other duties than their school board approved virtue of employment. The District agrees that four employee bonds were incorrect for the fiscal time period in audit.

Auditor's Note: As noted above and per inquiry of the School District Management, the Gatekeepers, Account Payable Clerk, Bookkeepers, Cafeteria Mangers Assistants, Cafeteria Managers, Cafeteria Executive Assistant, and Club Sponsors; therefore, because these positions are responsible for handling public funds, and this is not incidental to their job duties; therefore, they must all be bonded for no less than **\$25,000**.

Repeat Finding: No.

End of Report