



COMPLIANCE REPORT

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

SHAD WHITE, CFE
State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*



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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

February 21, 2024

Limited Internal Control and Compliance Review Management Report

Laurel School District
303 W. 8th Street
Laurel, MS 39441

Dear Members of the Laurel School Board:

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

1. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Approval;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Purchasing, Invoice Payments, and Professional Service Contracts;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Teacher Incentives;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
5. Ensure Compliance with State Law over Approval of Its Depositories;
6. Ensure Compliance with State Law over Merchant – Specific Credit Cards and Sales Taxes;
7. Ensure Compliance with State Law over Contingent Contracts;
8. Ensure Compliance with State Law over the Collection of Public Funds;
9. Ensure Compliance with State Law over Reemployment of Retired Public Employees;
10. Ensure Compliance with State Law over Surety Bonds; and
11. Ensure Compliance with Federal Law over District – Owned Vehicles.

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 **Laurel School District** to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "Charlotte L. Duckworth".

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

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 significant deficiencies 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 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**.

OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 1: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over 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 District funds are within the legal requirements of the approved budget.

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

Finding Detail: During the review of the School District's budget expenditures, the auditor noted the original 2021-2022 budget included the following 16 funds reflecting a negative fund balance at year-end:

- Special Education Fund (1130) – (\$200,339);
- Alternative Fund (1140) – (\$30,348);
- MAEP at Risk Fund (1145) – (\$1,208);
- Laurel High General Activity Fund (1152) – (\$6,086);
- School Food Service Fund (2110) – (\$164,908);
- School Improvement Fund (2213) – (\$176,534);
- Title V Rural and Low Fund (2311) – (\$65,408);
- Title II A 03 Improving Teachers Fund (2511) – (\$338,131);
- ESSER Elementary and Secondary School Emergency Fund (2590) – (\$13,818);
- Equity in Distance Learning Fund (2592) – (\$1,043,163);
- MS Pandemic Response Broad Band Availability Fund (2593) – (\$211,295);

- ESSER II Elem and Secondary Fund (2594) – (\$261,014);
- Vocational ED State/Local Fund (2711) – (\$27,336);
- Title IV Safe and Drug Free Fund (2811) – (\$88,525);
- ROTC Fund (2911) – (\$7,013); and
- Tax Shortfall Note Fund (4013) – (\$22,680)

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

Recommendation: We recommend the Laurel 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 Laurel School District will 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.

Repeat Finding: No.

Finding 2: The School District Should Ensure Compliance with State Law over Purchasing, Invoice Payments, and Professional Service Contracts.

Internal Control Deficiency: *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Management is responsible for properly safeguarding the assets of the School District and ensuring the terms of service contracts are met and adhered to at all times.

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

Section 31-7-13(m)(viii), Mississippi Code Annotated (1972), states, “Noncompetitive items available from one (1) source only. In connection with the purchase of noncompetitive items only available from one (1) source, a certification of the conditions and circumstances requiring the purchase shall be filed by the agency with the Department of Finance and Administration and by the governing authority with the board of the governing authority. Upon receipt of that certification the Department of Finance and Administration or the board of the governing authority, as the case may be, may, in writing, authorize the purchase, which authority shall be noted on the minutes of the body at the next regular meeting thereafter. In those situations, a governing authority is not required to obtain the approval of the Department of Finance and Administration. Following the purchase, the executive head of the state agency, or his designees, shall file with the Department of Finance and Administration, documentation of the purchase, including a description of the commodity purchased, the purchase price thereof and the source from whom it was purchased.”

Section 31-7-113, Mississippi Code Annotated (1972), states, “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), Mississippi Code Annotated (1972), states, “All public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board

shall mail or otherwise deliver such checks no later than forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods or services.”

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

- Three invoices were paid more than 45 days after being received within the School District;
- One vendor purchase was made without two bids/quotes or issuing a purchase order, totaling **\$15,901**;
- One vendor purchase was approved as a sole-source purchase based on a letter provided by the vendor, totaling **\$10,079**. Also, the minutes did not reflect that the Board’s determination was that the commodity was available from one source only; and
- There was no contract nor Board approval for the professional services with the District’s Board Attorney.

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

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

District’s Response: The Laurel School District will strengthen its internal controls surrounding purchasing to ensure compliance with all purchasing guidelines.

Repeat Finding: No.

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

Internal Control Deficiency: The Board of Education may establish or adopt any orders, resolutions, or ordinance with respect to District affairs, property, and finances, which are consistent with other state law (Home Rule). The Board of Education must also establish and oversee the performance of the School District in order to comply with applicable law and internal controls. The *Committee of Sponsoring Organizations of the Treadway Commission (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 State Law: *Mississippi Attorney General Opinion No. 2010 WL 2019883* states, “Payments in which there is no pre-existing obligation to make the payments, as in the case of bonuses, or in which payments are made for future services that have not been provided at the time the payments are made, as in the case of donations, are considered unlawful, in accordance with *Mississippi Constitution Article IV, Sections 66 and 96*. *MS AG Op., Allen (June 11, 2004)*; *MS AG Op., Ellis (June 27, 1994)*. To the contrary, we have previously opined that employee incentive payments which are implemented prospectively and for which payment is made pursuant to conditions met in the future do not run afoul of these constitutional provisions. *MS AG Op., Meredith and Jones (December 22, 2006)*; *MS AG Op., Silver (July 18, 2003)*; *MS AG Op., Jackson (June 29, 1992)*. See also *MS AG Op., Murdock (August 7, 2009)* and *MS AG Op., Bowman (November 14, 2005)* (incentive provision may be included in contracts when incentive payments are contemplated by contract, there are predetermined objective standards of measurement, payments have been earned and proper amount paid and does not exceed maximum amount).”

Article 4, Section 66, Mississippi Constitution, states, “No law granting a donation or gratuity in favor of any person or object shall be enacted excepted by the concurrence of two-thirds of the members elect of each branch of the Legislature, nor by any vote for a sectarian purpose or use.”

Article 4, Section 96, Mississippi Constitution provides the Legislature shall never grant extra compensations, 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 contractual obligations and salary payments to employees, the auditor noted that the school adopted an "incentive pay" program to reward teachers and other employees (as applicable). The Mississippi Attorney General's Office (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 are essential to ensure incentive payments do not constitute prohibited payments, such as bonuses or donations.

The incentive program designed by Laurel School District currently provides incentives for services contracted for prior to the date they were performed. Not following this requirement as defined by *Attorney General Opinion No. 2010 WL 2019883* could lead to noncompliance with state law.

Failure to properly document or account for how the school is in compliance with the criteria stated above could result in incentive payments being classified as improper payments to employees.

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

District's Response: June 2021. The entire Human Resources department retired. There were 2 new employees in HR. and the Human Resources Director. A new CFO started August 1, 2021. The August Board minutes were the first to be typed by the entire new staff. Once brought to our attention, upon review the Retention Stipend was mistakenly referred to as a "bonus". In June 2020. The district began to utilize Title II to provide Retention stipends to our "teacher leaders" in the buildings as a method to improve teacher capacity and improve the culture/climate of the buildings. The "teacher leaders" provide professional development to their peers, lead PLC meetings, and serve on numerous leadership committees within the school. Individuals are selected by the administrators in the building based on leadership qualities, content knowledge, instructional knowledge, etc. The district continued this endeavor into SY 2021-2022, as documented in the board minutes June 2020 with the correct description of the Retention Stipends. This was a clerical error-using the incorrect term to describe the project. Both in SY 20-21 and SY 21-22, the project was included in the Consolidated Application and approved by MOE as a Retention Stipend. A board policy has since been approved for retention stipends. The district will comply with the recommendation. We have implemented internal controls to ensure job responsibilities and at-will agreements are given for all extra duties. All extra pay will be supported by documentation that duties were performed prior to payment.

Repeat Finding: No.

Finding 4: 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 *Mississippi 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.

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 the School District’s travel expenditures, the auditor noted the following exceptions:

- Two travel vouchers were not signed and approved correctly;
- One travel reimbursement was claimed while the employee was out of sick leave;
- One District employee claimed mileage while using a district vehicle, but was not reimbursed for daily actual expenses. The district caught this and decided to reimburse the mileage of **\$125** instead of the per diem of **\$138**; and
- The District does not have a Board – approved travel policy.

Failure to have adequate controls surrounding the District’s reimbursements could result in waste, fraud, and abuse of public funds, and could result in noncompliance with state law.

Recommendation: We recommend the Laurel School District strengthen internal controls and ensure compliance by assuring expense reimbursements are properly documented, approved, and verified, as required by state law. Also, the School District should ensure that employees are not being reimbursed while out on leave.

District’s Response: The Laurel School District has met with the business office staff and employees on processes and procedures for travel reimbursement. The business office has strengthened the review process of travel reimbursement documentation to ensure compliance with state and local laws prior to travel reimbursements being added to the claims docket for payment.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance over Approval of Its Depositories.

Applicable State Law: *Section 37-7-333, Mississippi Code Annotated (1972)*, states, “All such allotments or funds shall be placed in the depository or depositories selected by the school board in the same manner as provided in *Section 27-105-305* for the selection of county depositories. Provided, however, the annual notice to be given by the school board to financial institutions may be given by the school board at any regular meeting subsequent to the board’s regular December meeting but prior to the regular May meeting. The bids of financial institutions for the privilege of keeping school funds may be received by the school board at some subsequent meeting, but no later than the regular June meeting; and the selection by the school board of the depository or depositories shall be effective on July 1 of each year. School boards shall advertise and accept bids for depositories, no less than once every three (3) years, when such board determines that it can obtain a more favorable rate of interest and less administrative processing. Such depository shall place on deposit with the superintendent of schools the same securities as required in *Section 27-105-315*.”

Finding Detail: During the review of the School District's Board minutes, the auditor noted the School Board's approval of its depository used for fiscal year 2022 was not spread across its Board minutes.

Failure to ensure the School Board approves and spread upon its minutes the approval for the School District's depository resulted in noncompliance with state law.

Recommendation: We recommend the Laurel School District ensure compliance by assuring that the School Board approves the School District's depository and its approval is spread across its minutes, as required by state law.

District's Response: On May 10, 2022, the Laurel School Board approved a one-year bank depository bid which was recorded in the board minutes. The School Board, Superintendent, and management will ensure compliance by continuing to spread the approval of bank depository in school board minutes.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Merchant – Specific Credit Cards and Sales Taxes.

Applicable State Law: *Section 27-65-105(a), Mississippi Code Annotated (1972)*, states, "Sales of property, labor, services or products taxable under *Sections 27-65-17, 27-65-19, 27-65-23, and 27-19-26*, when sold to and billed directly to and payment therefor is made directly by the United States government, the State of Mississippi and its departments, institutions, counties and municipalities or departments or school districts of said counties and municipalities."

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."

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

- There was one instance where state and local taxes were paid; and
- The Board did not approve the use nor justification for the use of its merchant-specific credit cards (Lowes, Kroger, Laurel Oil, LLC) for fiscal year 2022.

The District's failure to ensure state and local sales taxes were not paid and merchant-specific cards are approved with justification by its Board resulted in noncompliance with state law.

Recommendation: We recommend the Laurel School District ensure compliance by assuring that state and local taxes are not paid, and the use and justification for its merchant – specific credit cards are Board approved, as required by state law.

District's Response: The District approved a Credit Card Usage and Procedures for fiscal year 2022-2023 during the June 28, 2022 board meeting. The board policy will be updated to reflect the approved District Credit Card Usage and Procedures approved June 28, 2022. The accounts payable clerk will be responsible to verify state and local taxes are not paid on credit card purchases.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Contingent Contracts.

Applicable State Law: *Section 37-9-7, Mississippi Code Annotated (1972)*, states, “It shall be unlawful for any superintendent, principal or teacher to be employed or contracted with to teach or serve in any of the public schools of this state who does not hold a proper license as required by the State Board of Education. However, the local school board, in its discretion, may authorize the superintendent to enter into a conditional contract with a teacher for a scholastic year, as defined in *Section 37-61-1*, or a portion thereof, contingent upon (1) the person’s graduation from an approved teacher education program before September 1 or the issuance of a proper license by the State Board of Education before October 15 for those individuals to be employed beginning with the first term of the scholastic year, or (2) the person’s graduation from an approved teacher education program before December 31 or the issuance of a proper teacher licensed by the State Board of Education before February 15 for those individuals to be employed beginning with the second term of the scholastic year. If the individual who is to be employed beginning with the first term of the scholastic year does not graduate before September 1, or if the individual who is to be employed beginning with the second term of the scholastic year does not graduate before December 31, then any conditional contract executed contingent upon the person’s graduation shall be null and void on September 1 or December 31, as the case may be. If the teacher who is to be employed beginning with the first term of the scholastic year fails to obtain a valid license before October 15, or if the teacher who is to be employed beginning with the second term of the scholastic year fails to obtain a valid license before February 15, then any conditional contract executed contingent upon the issuance of a proper license shall be null and void on October 15 or February 15, as the case may be. After a contract is declared null and void, the school district shall withhold from the employee’s final salary payment, or shall take such legal action as may be necessary to collect from the employee, any amounts above the amount paid to substitute teachers in that district which were paid to the employee before the contract conditioned upon the person’s graduation or being issued a proper license is voided. If the license held by any superintendent, principal or teacher expires during the life of any such contract and is not renewed, then such contract shall be null and void upon the expiration of such license which is not renewed.”

Finding Detail: During the review of the School District’s 2021-2022 contingent contracts, the auditor noted two District employees did not receive appropriate licensure as required by their conditional contracts approved by the School Board; however, the School District did not void the two employees’ contracts. As noted in the above statute, the School District is required to reduce the employee’s final salary payment to collect the overpayment in salary due to the failure to meet the terms of the conditional contract, and, if the employee does not make payment, the School District is required to take legal action to collect these amounts.

Failure to comply with the requirements of *Mississippi Code Section 37-9-7* resulted in an overpayment to District employees, totaling **\$9,688**. As of September 2021, this overpayment was repaid to the School District in full.

Recommendation: We recommend the Laurel School District ensure compliance by assuring regulations are followed in regards to the terms of its conditional contracts with non-certified personnel.

District’s Response: The district will comply with statutes/regulations and issue a new teaching contract effective the valid date of licensure to replace the signed contingent contract.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over the Collection of Public Funds.

Applicable State Law: *Mississippi Attorney General Opinion 93-0213*, provides that United States coins and currency are legal tender for all debts, public charges, taxes, and dues. Therefore, the District must give the public more than one option as a means for obtaining tickets to all athletic/extracurricular events.

Finding Detail: During the review of the School District's activity/athletic funds, the auditor noted the School District only utilized Huddle Tickets/Go Fan, electronic ticketing systems, for the purchasing of tickets for athletic events. A convenience fee is charged for each ticket purchased. Only providing this system prohibits the public from purchasing tickets at the gate without an additional fee. A government entity should allow electronic ticket purchases as a voluntary option.

Failure to ensure the public has the option to pay with coins and currency for tickets for extracurricular events resulted in noncompliance with state law.

Recommendation: We recommend the Laurel School District ensure compliance by assuring tickets purchased for extracurricular events do not require paying convenience fees, as required by state law.

District's Response: The Laurel School District utilized Huddle Ticket due to community health concerns during the COVID 19 pandemic. The School District began providing a cash gate at all sporting events beginning August 1, 2023. We continue to allow fans the opportunity to purchase on Huddle Tickets if they chose this resource for convenience and the opportunity to pay from other sources than cash.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

Applicable State Law: *Section 25-11-127(4), Mississippi Code Annotated (1972)*, states, "Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment."

Board Regulation 34, Section 105, prescribed by the *Public Employees' Retirement System (PERS) of Mississippi*, states, "To lawfully employ a PERS service retiree under *Section 103*, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of a \$300 penalty per occurrence payable by the employer."

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

- Six PERS Form 4Bs did not have evidence of being filed with PERS; and
- One PERS Form 4B did not have evidence of the retiree's salary at retirement; therefore, OSA could not determine the PERS allowed salary for fiscal year 2022.

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

Recommendation: We recommend the Laurel School District ensure compliance by assuring that all PERS Form 4Bs are properly completed and submitted to PERS, as required by state law.

District's Response: The Laurel School District Human Resources Department has strengthened control to ensure compliance with state laws by completing fully and submitting 4B forms to PERS within five (5) days from the date of employment. Human Resource Department is now faxing, emailing, and mailing the 4Bs upon employment of a retired employee returning for part-time employment. Each document is stamped with the date and initialed once transmitted.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over Surety Bonds.

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

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

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

- Two bookkeepers, one administrative assistant, and four secretaries were covered by indefinite bonds;
- Nine cafeteria cashiers that handle public funds were not bonded; and
- One secretary was not bonded for the entire fiscal year.

Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds.

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

District’s Response: The District reviewed and corrected surety bonds that were listed as indefinite on the bond certificate. When surety bonds were recorded at the Jones County Courthouse, the sheet provided by the courthouse did certify the dates for the fiscal year. As of July 1, 2022, the district met with the bonding agency and required that all surety bonds have beginning and ending dates. All Laurel School District students received free lunch. In FY23, we analyzed the amount of money our Cafeteria Cashiers handled and we felt it did not justify the fees to bond each cashier. The District will review State Compliance rules in FY 2024 and will ensure these employees are sufficiently bonded.

Repeat Finding: No.

INSTANCE OF NONCOMPLIANCE WITH FEDERAL LAW

Finding 11: The School District Should Ensure Compliance with Federal Law over District – Owned Vehicles.

Applicable State 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: Based on the review of the School District's list of vehicles, payroll reports, and 2021 calendar year W-2s, the auditor noted one employee is assigned a District vehicle that is used to commute daily from their residence to the Central Office. The fair market value was not included in his/her wages.

Failure to include the fair market value of the School District's vehicle in the employee's salary or require reimbursement from employee is in violation of Internal Revenue Service regulations and resulted in the employee's wages being understated.

Recommendation: We recommend the Laurel Public School District ensure compliance by assuring the fair market value of the School District's vehicles utilized by its employees for their daily commute is included in their wages as a fringe benefit or personal use is reimbursed, as required *Treasury Regulation Section 1.61-21(c)(2)*.

District's Response: The Laurel School District will ensure compliance by assuring the fair market value of the School District's vehicles 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)*.

Repeat Finding: No.

End of Report