

NATCHEZ – ADAMS SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

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

SHAD WHITE, CFE
State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*



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

February 9, 2024

Limited Internal Control and Compliance Review Management Report

Natchez-Adams School District
10 Homochitto St
Natchez, MS 39120

Dear Members of the Natchez-Adams School Board:

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

1. Strengthen Internal Controls and Ensure Compliance with State Law over Activity/Athletic Fund Cash Receipts;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Procedures and Approval;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Land Deposits, Taxes, Lease Payments;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements/Expenditures;
5. Strengthen Internal Controls and Ensure Compliance with State Law over the Authorized Signatures of Its Bank Accounts;
6. Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations;
7. Ensure Compliance with State Law over Public Depositor Annual Report;
8. Ensure Compliance with State Law over Purchases More Than **\$5,000** But Not Over **\$50,000**;
9. Ensure Compliance with State Law over Sixteenth Section Transfers;
10. Ensure Compliance with State Law over Educable Child Lists;
11. Ensure Compliance with State Law over Obtaining Criminal Background Checks;
12. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
13. 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 **Natchez-Adams School District** to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

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

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

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

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

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

We identified certain deficiencies in internal control over financial reporting that we consider to be 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 headings **SIGNIFICANT DEFICIENCY** and **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 Cash Receipts.

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.

Finding Detail: During the review of School District's activity/athletic funds, the auditor noted two ticket count sheets did not have the ending ticket numbers noted.

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

Recommendation: We recommend the Natchez Adams 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: It appears that ticket numbers were used in each instance; however, the ticket documentation did not properly find its way to the transmittals and receipts. The Business Office will ensure that ticket number documentation is properly included on receipts and transmittals and will follow up with the school on any issues. As recommended by the superintendent, the high school bookkeeper will attach the first ticket and last ticket to the documentation to further strengthen the control. Also, per the deputy superintendent, our policy will be updated to reflect the changes.

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 Budget Procedures and Approvals.

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 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 School District’s budget expenditures for fiscal year 2022, the auditor noted the following exceptions:

- The original budget for fiscal year 2022 included the following 18 funds reflecting a negative fund balance at year-end:
 - Special Education Fund (1130) – **(\$213,229)**;
 - Activity Funds-McLaurin (1151) – **(\$7,082)**;
 - Athletic Funds (1152) – **(\$185,255)**;
 - Activity Funds-Career & T (1158) – **(\$1,465)**;
 - Dollar General Grant (1927) – **(\$500)**;
 - BCBS Grant (1930) – **(\$19,981)**;
 - BCBS Grant 2020 McLaurin (1932) – **(\$50,000)**;
 - Extended School Year (2090) – **(\$241,745)**;
 - Title I 1003 (A) School Improvement (2213) – **(\$209,383)**;
 - Title V Rural & Low Income (2311) – **(\$19,719)**;
 - EEF-Building & Buses Fund (2410) – **(\$65,790)**;
 - Title II-A Improving Teacher (2511) – **(\$78,709)**;
 - EHA Part B Grant (2610) – **(\$23,406)**;
 - Title IV-A Safe & Drug Free (2811) – **(\$446,198)**;
 - Educable Children (2901) – **(\$248,000)**;
 - Laub Memorial Fund (2902) – **(\$76,502)**;
 - Carpenter Library Fund (2903) – **(\$8,557)**; and
 - Carpenter School Fund (2904) – **(\$103,880)**
- The amended budget for fiscal year 2022 included 19 funds reflecting a projected negative fund balance at year end:
 - Athletic Fund (1152) – **(\$114,388)**;
 - Background Fund (1920) – **(\$4,633)**;
 - BCBS Grant (1930) – **(\$8,990)**;
 - BCBS Grant 2020 McLaurin (1932) – **(\$40,860)**;
 - Title I Part D Subpart 2 (2212) – **(\$65,172)**;
 - Title I Administration (2290) – **(\$197,625)**;
 - Title V Rural & Low Income (2311) – **(29,825)**;
 - EEF-Building & Buses Fund (2410) – **(\$66,590)**;
 - Pre-K ESSER Grant (2595) – **(\$12,734)**;

- ARP ESSER (2598) – (\$376,938);
 - IDEA Part B ARP Grant (2599) – (\$58,000);
 - IDEA Part B Pre-school ARP (2600) – (\$13,519);
 - Vocational Basic Local/ST (2711) – (\$168,717);
 - Title IV-A Safe & Drug Free (2811) – (\$617,724);
 - Educable Children (2901) – (\$108,421);
 - Laub Memorial Fund (2902) – (\$68,218);
 - Carpenter Library Fund (2903) – (\$6,035);
 - 3-Mil Note (4024) – (.50); and
 - Home Bank 2021 Tan (4093) – (\$29)
- Per the combined original budget, the total expenditures in the Special Revenue and Permanent Trust funds had a difference of \$10, 225 from the total expenditures of the same funds within the combining original budget.

The funds were not negative at fiscal year ended June 30, 2022; however, the approval of the fund budgets with ending deficit fund balances could result in noncompliance with state law. The presentation of negative fund balances in the original and amended budgets presented to the Board was likely a lack of attention to appropriate budgeting practices.

Recommendation: We recommend the Natchez-Adams 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: Management will prepare budgets so that all fund balances are positive going forward. Management mistakenly thought federal balances could be negative so long as overall grouping was positive. Also, management will ensure the beginning fund balances are accurate.

Repeat Finding: No.

Finding 3: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Deposits, Taxes, and Lease Payments.

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. 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 taxed as other lands are taxed during the continuance of the lease, but in case of sale thereof for taxes, only the title of the lessee or his heirs or assigns shall pass by the sale.” In addition, the standard lease agreement used by the district between the lessee and lessor states, “Lessee shall pay all taxes levied, if any, on said property on time to prevent default.”

Section 29-3-57, Mississippi Code Annotated (1972), states, “Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances were present, and the Board shall inaugurate the proper legal proceedings to terminate such lease.”

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

- Three lease agreements taxes were not paid more than 60 days after February 1st; however, the lease agreements were not terminated totaling **\$10,201**;
- Three lease payments were more than 60 days late; however, the lease agreements were not terminated; and
- One lease payment was not deposited within three business days.

Failure to terminate lease agreement due to the non-payments of property taxes and rental payments resulted in noncompliance with state law. Inadequate internal controls relating to receipting sixteenth section revenue could result in a loss of assets and improper revenue recognition.

Recommendation: We recommend the Natchez – Adams School District strengthen internal controls and ensure compliance by assuring deposits are made in a timely manner, taxes are paid on before February 1st, and lease payments are not more than 60 days late, as required by state law.

District's Response: The business office will work with legal counsel on the enforcing of the signed lease compliance requirements. The business office will monitor and properly follow up on leases that are more than 60 days late. Management will ensure that lease deposits are deposited within three business days.

Repeat Finding: No.

Finding 4: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements/Expenditures.

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.

School Board Policies: *Section B, School Board Organization, Policy BBBF – School Board Member Reimbursement and Travel Advances*, states, “Each board member shall be reimbursed for the necessary expenses and mileage in attending meetings of the school board. In addition to the foregoing, all members may be reimbursed for mileage and actual expenses incurred in the further performance of their duties, including attendance at any mandatory school board training session or at regional and national education meetings, when such mileage and other expenses are authorized by the board prior to the date on which they occur. Detailed vouchers shall be submitted for reimbursement for all expenses authorized by this section. Such reimbursement shall be in accordance with Mississippi Code Section 25-3-41.”

Section D, Fiscal Management, 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: 1. For each mile actually and necessarily traveled in the employee's automobile or other private motor vehicle \$.55 per mile...4. For pro-rated travel days, the applicable maximum daily meal reimbursement will be allowed to individual meals as follows: Breakfast \$6.00, Lunch \$9.00, Dinner \$15.00 Total \$30.00...Maximum reimbursement of \$30.00 per day for meals for in-state and out-of-state travel...This includes tips.”

Applicable State Law: *Section 25-3-41(1), Mississippi Code Annotated (1972)*, states, “Subject to the provisions of subsection (10) of this section, when any officer or employee of the State of Mississippi, or any department, agency or institution thereof, after first being duly authorized, is required to travel in the performance of his official duties, the officer or employee shall receive as expenses for each mile actually and necessarily traveled, when the travel is done by a privately owned automobile or other privately owned motor vehicle, the mileage reimbursement rate allowable to federal employees for the use of a privately owned vehicle while on official travel.”

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 that one Board member was approved by the School Board to travel to a conference in Washington, D.C. via their private vehicle. According to the Board member, they only made it from Natchez, MS to Atlanta, GA (989 miles round trip) due to a snow storm in North Carolina. The Board member stayed in Atlanta for seven days and attended the conference virtually instead of returning home. He was reimbursed for the full week of their hotel stay and for all meals, totaling **\$1,467**.

Failure to ensure that any changes in travel was approved for necessary expenses could result in fraud, waste, and abuse of public funds, and resulted in noncompliance with state law.

Recommendation: We recommend the Natchez Adams School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure reimbursements for professional travel expenses are for necessary travel expenses, as required by state law and the District’s Board policies.

District’s Response: Management will ensure more cost-effective decisions are made for all future travel and document accordingly.

Repeat Finding: No.

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over the Authorized Signatures of Its Bank Accounts.

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.

School Board Policy: *Section D, Fiscal Management, Policy Code DJAA – Authorized Signatures*, provides that the school board shall authorize district employees to sign checks on all school district accounts.

Applicable State Law: *Mississippi Public School Accountability Standards, Section 7.0 Annual Reports, Administration and Personnel*, provides that the local school board’s responsibilities shall pertain to matters of setting policy and shall not interfere in the day-to-day operations of the school district. Failure to comply shall result in the immediate downgrade of the district’s accreditation status to probation or withdrawn as indicated in *Accreditation Policy 2.5*.

Finding Detail: During the review of the School District’s bank accounts, the auditor noted two Board members are authorized signors on the District’s bank accounts. One of which is not a current member of the School Board.

Failure to ensure Board members are not signors on the District’s bank accounts could result in a downgrade of its accreditation and resulted in noncompliance with state law and the District’s Board policy.

Recommendation: We recommend the Natchez – Adams School District strengthen internal controls and ensure compliance by assuring the authorized signors on its bank accounts are not Board members, as required by state law and the District’s Board policy.

District’s Response: The District will update signors on the account by removing the Board members and adding the deputy superintendent as the emergency backup person in the event one of the other signors isn’t available.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 6: 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 outstanding checks to the balance per bank statement to reconcile to the amount of cash that is listed on the general ledger of the District to what is recorded at the bank. 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 regular board meeting after the bank statements are reconciled to the District’s general ledger cash balances in a timely and accurate manner.”

Finding Detail: During the review of the School District’s bank reconciliations, the auditor noted one bank account was not properly reconciled to the general ledger’s cash balance resulting in a difference of **\$15,589**.

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 Natchez-Adams 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: In his haste to move forward while serving in dual roles (business manager & payroll clerk), the voided check entry was missed. Management will assure all voided check journal entries are entered timely. Regarding the special account, management will move the reconciling items to inter-fund accounts for tracking purposes when necessary.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Public Depository 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 that the District did not submit their Public Depositor’s Annual Report within 30 days from fiscal year ended June 30, 2022.

Failure to submit the Public Depositor’s 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 the School District not being in compliance with state law.

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

District’s Response: The root cause of this breakdown is due to the fact that the business manager was unaware of this requirement. The business manager thanks the audit team for informing him of the requirement. The business manager will timely file the required annual depositor report going forward.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Purchasing Procedures.

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.”

School Board Policy: *Section D, Fiscal Management, Policy DJED – Bids and Quotations*, states, “The school district shall comply with all applicable provisions of the Mississippi Code of 1972 Annotated including but not limited to § 31-7-13 as amended, and with all other applicable federal and state laws and regulations relating to bids.”

Finding Detail: During the review of the School District’s purchasing expenditures, the auditor noted that the District did not obtain two quotes/bids for two purchases totaling **\$10,664**:

- Varsity Spirit Fashion **\$5,188**
- Grainger **\$5,476**

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

Recommendation: We recommend the Natchez – Adams School District ensure compliance by assuring all purchases are as required by state law and the District’s Board policy.

District’s Response: Management will ensure that two quotes are received for every purchase in the amount of 5K and above.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Sixteenth Section Transfers.

Applicable State Law: *Section 29-3-117, Mississippi Code Annotated (1972)*, states, “All expendable sixteenth section revenues to which a school district shall become entitled, as provided in *Sections 29-3-115 through 29-3-123* from annual

rents, interest and other sources shall be paid into the maintenance or building fund of the school district entitled thereto on order of the board of education.”

Finding Detail: During the review of the School District’s sixteenth section transfers, the auditor noted that the transfer of **\$300,000** from the Interest Fund to the General Fund was not Board approved and spread across the official Board minutes.

Failure to ensure that transfers from sixteenth section funds were Board approved and noted within the minutes resulted in a noncompliance with state law.

Recommendation: We recommend that Natchez-Adams School District ensure compliance by assuring all transfers from sixteenth section funds are Board approved and spread upon its minutes, as required by state law.

District’s Response: Management will spread all future 16th section transfers on the minutes going forward.

Repeat Finding: No.

Finding 10: The School District Should Ensure Compliance with State Law over 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 the following exceptions:

- The December 2021 educable child list submitted to Jefferson County School District for fiscal year 2022 did not specify the exact sections, townships, and ranges in which children reside; and
- Educable child lists were not sent to Wilkinson County School District for sections:
 - 14/3N/4W
 - 19/4N/2W
 - 30/4N/3W

Failure to file an accurate and complete educable child list 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 that Natchez-Adams School District ensure compliance by assuring all educable child lists are accurately prepared and filed with the Superintendent of each custodial district by December 31st of each year, as required by state law.

District’s Response: Management attempted to discuss the street names, with Wilkinson County School District, to aid in our research. However, we did not receive a response. Next, management researched the maps and noted the streets in sections 19 and 30. Finally, management worked with the MSIS coordinator and Central Access to query the system and determine if the district had any children in sections 19 and 30 and the report showed that we do not have any children located in those sections.

Auditor’s Note: The District may not take upon itself to check the accuracy of the educable child lists. The District should refer to *Section 29-3-121, Mississippi Code Annotated (1972)*, which states, “...If any superintendent of a school district

participating in the division of such funds shall challenge in writing the accuracy of any such list, the Office of State Auditor, upon receipt of such challenge, may in its discretion, order and arrange for and supervise a recount of the children enrolled in the schools of such district and who reside in such district. All costs incurred in conducting the recount shall be borne by the challenging district and the district in which the recount is conducted on a pro rata basis, as determined from the results of the recount. Such costs may be paid from the school district's share of the available township funds. Such recount, when obtained, shall supersede the original list for the purposes of *Sections 29-3-115 through 29-3-123*.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Law over Criminal Background Checks.

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

Finding Detail: During the review of the School District's personnel files, the auditor noted the District did not have on file the criminal background check for one out of 20 tested.

Failure to obtain background checks of all new hires could result in a wrongful hire of an individual, and resulted in noncompliance with state law.

Recommendation: We recommend the Natchez – Adams School District ensure compliance by assuring all criminal background checks are obtained and maintained on file, as required by state law.

District's Response: The current Human Resource Team was unaware during the FY22 Compliance Audit where the educator's information could have been misfiled. The educator's current electronic background check is now on file in a secure file cabinet in Human Resources.

Repeat Finding: No.

Finding 12: 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 that 13 PERS Form 4Bs did not have evidence of being filed with PERS.

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

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

District's Response: Copies of the questionable PERS forms were previously provided to the auditor with the date of completion written on the forms. However, we understand the concern and recommendation from the Compliance Audit of the MS Office of the State Auditor. Natchez-Adams School District has reviewed our past practices and will make every attempt in the future to ensure the correct PERS forms are completed and forwarded to PERS in a timely manner. We will stamp these documents after being emailed. Upon PERS receipt, the confirmation of receipt will be maintained.

Repeat Finding: No.

Finding 13: The School District Should Ensure Compliance with State Law over Surety Bonds.

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

Finding Detail: During the review of the School District's surety bonds, the auditor noted that seven bookkeepers, 15 gatekeepers, and café cashiers who collect cash were not bonded.

Failure to ensure all District employees handling public funds, as a part of their job duties resulted in noncompliance with state law.

Recommendation: We recommend the Natchez-Adams School District ensure compliance by assuring all employees are sufficiently bonded that handle public funds, as required by state law.

District's Response: Management will continue complying with the 50K/100K amounts, for the related individuals, as prescribed by the OSA audit programs as utilized in the past. Additionally, Management will issue 25K bonds for all affected employees that handle cash.

Repeat Finding: No.

End of Report