



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

Picayune School District
706 Goodyear Blvd.
Picayune, MS 39466

Dear Members of the Picayune School Board:

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

1. Strengthen Internal Controls and Ensure Compliance with State Law over Contingent Contracts;
2. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
3. Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations;
4. Ensure Compliance with State Law over Board Member Ethics and Nepotism;
5. Ensure Compliance with State Law over Supervision of Relatives within the First Degree;
6. Ensure Compliance with State Law over Monthly Financial Reports;
7. Ensure Compliance with State Law over Purchase Laws and Invoice Payments;
8. Ensure Compliance with State Law over Credit Card Documentation, Payments, Usage, and Approval;
9. Ensure Compliance with State Law over Sixteenth Section Lease Payments and Taxes;
10. Ensure Compliance with State Law over Sixteenth Section Educable Child Lists; and
11. 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 **Picayune School District** to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

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

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

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

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

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

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

In addition, while performing our review, we noted certain instances of noncompliance with state law that require the attention of management. These matters are noted under the heading and **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 Contingent Contracts.

Internal Control Deficiency: The School Board and Superintendent should exercise due diligence in the performance of their respective duties in accordance with state law and regulations.

Applicable State Law: *Mississippi Public School Accountability Standards Part 7.0 Annual Report, Section 2 Administration and Personnel*, states, "All district professional positions requiring licensed staff are filled by staff that are properly licensed and endorsed as required by state law and federal requirements of the *Elementary and Secondary Education Act (ESEA)*..."

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 license 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 contingent contracts, the auditor noted the following exceptions out of 15:

- 12 contingent contracts were signed after the contract period began; and
- On November 9, 2021, the Board approved a contingent transfer of assignment pending receipt of license by February 15, 2022; however, the teacher's license was not issued until fiscal year 2023.

Recommendation: We recommend the Picayune School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to assure laws and regulations are followed in regards to the terms of its conditional contracts with non – certified personnel.

District's Response: We notified these teachers to come sign numerous times through telephone calls, some emails and Principals taking contracts to them personally to sign. We will now have employees sign contracts prior to employment hire date.

Repeat Finding: No.

Finding 2: 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. 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(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."

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

- Six mileage reimbursements were reimbursed for the incorrect amount at **0.56** per mile instead of **0.585**;
- One travel reimbursement did not include an agenda to verify meals were not claimed that were included in registration;

- One mileage reimbursement was less than the documented miles traveled in the amount totaling **\$131**;
- One travel reimbursement voucher was not properly signed for approval by the employee's supervisor; and
- One travel advance for meals for students was reimbursed without the proper receipts to verify payment.

Lack of internal controls resulted in noncompliance and could result in the fraud, loss, or misappropriation of public funds.

Recommendation: We recommend that Picayune School District strengthen internal controls and ensure compliance by acquiring and maintaining all documentation, and ensuring reimbursements are issued per state law and regulations.

District's Response: Checking the current mileage rate has been added in the job description for the new position of Federal Programs Accountant. Agendas will be attached for all travel. Travel reimbursements will be signed for all travel by the immediate supervisor. Receipts for student meals will be required on the return of the travel.

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 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 the following exceptions:

- At June 2, 2022, three of the District's bank accounts were not up-to-date in reconciliation:
 - Accounts Payable – last reconciled February 2022;
 - General Account – last reconciled March 2022;
 - Payroll Account – last reconciled March 2022;
- The following bank accounts were reconciled in May 2022, more than 30 days from the receipt of the bank statements: Accounts Payable and Payroll;
- Per inquiry of District personnel, the District's bank reconciliations for all bank accounts have not been signed as approved and verified to the District's general ledger since December 2021;
- The District's General Maintenance account balance at June 30, 2022 did not match its book balance in a difference totaling **\$10,482**; and
- The District's General Maintenance account balance at November 30, 2022 did not match its book balance in a difference totaling **\$1,617**.

Failure to properly reconcile bank statements could result in errors, misstatement of the School District's financial statements, or fraud occurring without being detected in a timely manner, and resulted in noncompliance with state law.

Recommendation: We recommend the Picayune School District strengthen internal controls and ensure compliance by implementing policies and procedures to ensure all bank statements are reconciled timely and properly to the District's general ledger. We recommend management 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 and comply with the District's policy.

District's Response: Bank statements are currently reconciled within 30 days and will continue to be reconciled within 30 days.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 4: 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)*, states, "No public servant shall use his official position to obtain, or attempt to obtain, pecuniary benefit for himself other than that compensation provided for by law, or to obtain, or attempt to obtain, pecuniary benefit for any relative or any business with which he is associated."

Mississippi Ethics Opinion 14-051-E, requires "...*Section 25-4-105(1), Miss. Code of 1972*, prohibits a school board member from using his or her official position to obtain or attempt to obtain a pecuniary benefit for his or her relatives. The term relative is defined in *Section 25-4-103(q)* and includes the board member's child. Therefore, the school board member, if elected cannot participate in any matter which would create a monetary benefit for his or her child. Examples of actions in which board member should not participate include, but are not limited to, the selection or promotion of a relative or adjustments to his or her salary, benefits or other compensation and any other action which is a necessary predicate to the relative's compensation, and any claims docket or budget from which the relative is paid, including approval of the annual school district budget. A total and complete recusal requires the board member leave the meeting room before the matter comes up for discussion and remain absent until the vote is concluded... Furthermore, any minutes or record of the meeting or other proceeding should state the recusing board member left the room before the matter came before the board and did not return until after the vote..."

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 member 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 party questionnaires, the auditor noted the one Board member did not recuse themselves from the vote on the extra pay scale which included extra pay for their brother (Maintenance Director) and sister – in – law (Custodian Supervisor).

Failure to have the Board member recuse themselves during the reappointment of relatives and salary scales and the recommendations of a relative resulted in noncompliance with *Mississippi Ethics Opinion 14-051-E* and *Section 37-9-21, Mississippi Code Annotated (1972)*.

Recommendation: We recommend the Picayune School District ensure compliance by assuring Board members and its Superintendent recuse themselves in matters related to relatives within the third degree, as required by state law. Additionally, this matter has been referred to the *Mississippi Ethics Commission*.

District's Response: The Superintendent will discuss with all Board members to recuse themselves when a relative is recommended on the agenda.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Law over Supervision of Relatives within the First Degree.

Applicable State Law: *Section 25-4-105(1), Mississippi Code Annotated (1972)*, states, "No public servant shall use his official position to obtain, or attempt to obtain, pecuniary benefit for himself other than that compensation provided for by law, or to obtain, or attempt to obtain, pecuniary benefit for any relative or any business with which he is associated."

Mississippi Ethics Opinion 10-067-E, states *Section 25-4-105(1), Mississippi Code of 1972*, no school district employee or official may use his or her position or attempt to obtain any monetary benefit for his or her "relative," as that term is defined in *Section 25-4-103(q)*. Therefore, no Principal may not hire or supervise his or her spouse.

Mississippi Ethics Opinion 19-014-E, states no employee should work under the direct supervision of his or her relative, this would be a violation of *Section 25-4-105(1), Mississippi Code Annotated (1972)*.

Finding Detail: During the review of the School District related party questionnaires, the auditor noted the following exceptions:

- The Assistant Superintendent recommended the hiring of their two daughters-in-law;
- The Assistant Maintenance Director is a supervisor of his father;
- The Transportation Director is the direct supervisor of their son and two daughters-in-law;
- The Food Service Director is the direct supervisor over their wife;
- The Early Childhood Program Director is a supervisor of her son; and
- A Principal is the direct supervisor of their daughter.

Failure to ensure Management does not supervise relatives within the first degree resulted in the violation of *Mississippi Ethics Opinions 10-077-E, 19-014E*, and *Section 25-4-105(1)*.

Recommendation: We recommend the Picayune School District ensure compliance by assuring all personnel procedures are in compliance with state law and regulations. Additionally, this matter will be forwarded to the *Mississippi Ethics Commission*.

District's Response #1: The Superintendent currently recommends the Assistant Superintendent's daughters-in-law. This was an administrative oversight in the past but has been corrected.

District's Response #2: The Assistant Maintenance Director's father no longer works for the District. His father has not been under the supervision of his father.

District's Response #3: The family members of the Transportation Director under the supervision of Head Mechanic Robby Roche. This was an administrative oversight in the past but has been corrected.

District's Response #4: The Food Service Office Clerk and wife of the Food Service Director, is under the supervision of the Food Service Secretary. This was an administrative oversight in the past but has been corrected.

District's Response #5: The son of the Early Childhood Program Director is under the supervision of the Health Manager, and not under the supervision of his mother.

District's Response #6: The CAE Secretary, is under the supervision of the CAE Teacher-In-Charge. This was an administrative oversight in the past but has been corrected.

The Picayune School District is aware of the Mississippi Ethics Codes. We do not believe we have violated any said codes. We have reviewed our procedures and made changes to ensure that we are in compliance

Auditor's Note: According to the review of the District's organizational chart and related party questionnaires provided, OSA determined that the employees were in leadership roles in their respective divisions where their relatives within the first degree are employed. It is the duty of the School District to ensure that a public servant does not work under the supervision of their relative.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Monthly Financial Reports.

Applicable State Law: *Section 37-9-18, Mississippi Code Annotated (1972)*, requires all financial reports be submitted to the local school board. According to the board's policy, financial reports that shall be submitted to the Board includes reconciled bank statements, statement of revenues and expenditures, current budget status, monthly cash-flows, and combined balance sheet or current fund equity balances at each regular monthly school board meeting. A copy of all required financial reports shall be included in the official minutes of the board meeting at which the reports were discussed.

Finding Detail: During the review of School District's Board minutes, the auditor noted a complete set of financial statements were not submitted to the School Board monthly for fiscal year 2022.

Failure to submit a complete set of financial reports to the School Board monthly could result in the loss or misappropriation of public funds and resulted in noncompliance with state law.

Recommendation: We recommend the Picayune School District ensure compliance by assuring all monthly financial reports are submitted to the School Board monthly, as required by state law.

District's Response: In the future, all financial reports will be submitted to the Board monthly.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Purchasing Law and Invoice Payments.

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."

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 out of 20 tested:

- Three instances where two bids were not received for purchases totaling **\$10,341**:
 - Keithco Petroleum, Inc. - **\$5,085**; and
 - AAA State of Play - **\$5,256**;
- Three invoices were paid more than 45 days after the stamped or goods received date.

Failure to follow purchasing laws could result in fraud or misappropriation of public monies.

Recommendation: We recommend the Picayune School District ensure purchasing laws are followed and monitored to ensure compliance with the aforementioned state statutes.

District's Response: The District will ensure purchasing laws are followed by obtaining two quotes on all purchases greater than **\$5,000**. All bills will be paid within 45 days.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Credit Card Documentation, Payments, Usage, and Approval.

School Board Policy: *Section D, Fiscal Management, Policy DJEH – Charge Accounts*, states, “The following steps to using the District’s cards: First, the employee must obtain an approved purchase order. Then, he/she must obtain authorization to take the identification card from the building to the store to make the purchase. The check-out sheet shall contain the following information: check-out date, signature of employee signing out the card, signature of the principal, director, or supervisor authorizing the release of the card, and check-in date with initials of both the employee and the principal, director, or supervisor.”

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

Mississippi Procurement Manual, Chapter 10, 10.112.03, Merchant-Specific Credit Cards, 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:

- Two purchases were made where there was no signature nor purchase order on the sign-out sheet to properly make the purchase, as required by the District's Board policy;
- One claim was paid for a purchase from Home Depot that did not include a receipt to verify to the statement;
- Certain employees were allowed to sign-out the District’s UMB and Walmart credit cards; however, they are not on the list of users provided by the District;
- Upon reviewing the District's statements for its travel card, the auditor noted that the October 2021 total due was not paid in full until November 2021, totaling **\$7,542**; and
- The Board did not approve the use and justification for its merchant – specific credit cards (Walmart and Home Depot).

Failure to have adequate controls surrounding the District’s procurement card purchases could result in waste, fraud, and abuse of public funds. Also, failure to approve the use and justification of its merchant – specific credit cards and ensure employees sign out credit cards resulted in noncompliance with state law and the District’s Board policy.

Recommendation: We recommend the Picayune School District implement and enforce policies and procedures to strengthen internal controls concerning its credit card usage, in addition, to abiding by the laws, rules, and regulations set by DFA and the State of Mississippi.

District’s Response: The District will maintain files for justification for the use of Home Depot and Walmart cards.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Payments and Taxes.

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 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.”

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

- Three lease payments were more than 60 days late; however, the lease agreements were not cancelled;
- Two leaseholder's taxes were not current for tax year 2022; and

- One lessee was approved by the Board for a three-month payment plan; however, it was approved more than 200 days past the rental payment due date. Also, only two out of the three payments were made; however, the lease agreement was not cancelled.

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

Recommendation: We recommend the Picayune School District ensure compliance by assuring all taxes are current and lease payments are made within 60 days, as required by state law.

District's Response: The School District has hired a full – time bookkeeper to manage the 16th Section land.

Repeat Finding: No.

Finding 10: 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 District did not send its educable child letter to Pearl River County School District until January 27, 2023.

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 the Picayune 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: The District will submit the Educable Child Lists by December 31st of each year.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Law over Surety Bonds.

School Board Policy: *Section D, Fiscal Management, Policy DJEA, Purchasing Authority – Procedures – Contracts*, states, “The Board of Trustees hereby designates the school principals as “Purchasing Agents” with the limited authority to negotiate for and purchase commodities and services necessary for the operation of their schools with the activity funds for which they are responsible as defined in Board Policy DK; subject to all purchasing laws...A principal acting as purchasing agent must be bonded for total statutorily required coverage of Seventy Five Thousand (\$75,000.00). The positions of principal may be covered by blanket bond, but the position of purchasing agent requires individual bond.”

“In addition to the Superintendent, the Board of Trustees hereby designates the assistant superintendent and the finance director as “Purchasing Agents” with general authority to negotiate for and purchase the commodities and services necessary for the operation of the Picayune 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 37-9-31, Mississippi Code Annotated (1972), states, “All school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000), with sufficient surety.”

Section 37-39-21, Mississippi Code Annotated (1972), states, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000.00), with sufficient surety.”

Mississippi Attorney General Opinion 1996 WL 224003 provides that if an individual is serving in more than one position for which bonding is required, the individual must be bonded for each position and the total coverage must equal the combined bonding requirements for the positions in which employed.

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

- Eleven principals were not bonded as Purchasing Agents for the fiscal year. The District's purchasing authority policy designates school principals as Purchasing Agents and should be bonded as such. Also, the District's policy states that principals who act as purchasing agents should be bonded for **\$75,000**, which would not sufficiently cover both positions. Principals who act as Purchasing Agents should be separately bonded for the amount each position statutorily requires;
- One principal's bond did not cover the beginning of their employment period from January 2022 through March 2022; and
- The blanket bond on file for the positions of bookkeepers/secretaries, gatekeepers, and cafeteria workers was not an official bond. This bond in place is a Government Crime Policy. Additionally, the names of all the District’s employees working in the positions are not listed on the blanket bond.

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 Picayune School District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by state law and Board policy.

District’s Response: Currently Principals are not Purchasing Agents for the District; however, due to the new accounting software, all Principals will be bonded on July 1, 2023 for the 2023 -2024 school year. This will carry forward each year after 2023-2024. The Finance Director will communicate with the accountant when a Principal is recommended for hire. With this procedure, the District will stay in compliance. We will remove Principals as Purchasing Agents in our Board policy.

Repeat Finding: No.

End of Report