

QUITMAN COUNTY SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT

For the year ended *June 30, 2022*

SHAD WHITE

State Auditor

Charlotte L. Duckworth

Director, *Compliance Audit Division*





STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

April 22, 2024

Limited Internal Control and Compliance Review Management Report

Quitman County School District
P.O. Drawer E.
310 Pecan Street
Marks, MS 38646

Dear Members of the Quitman County School Board:

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

1. Strengthen Internal Controls Regarding Bank Reconciliations;
2. Strengthen Internal Controls Regarding the Segregation of Duties Surrounding Deposits, Bank Reconciliations, and Journal Entries;
3. Strengthen Internal Controls Regarding the District's Internal Control Environment;
4. Strengthen Internal Controls Regarding Contracts and Policies and Ensure Compliance with State Law Regarding Incentive Programs;
5. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approval;
6. Strengthen Internal Controls and Ensure Compliance Regarding Activity/Athletic Fund Revenue and Deposits;
7. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Reimbursements;
8. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Sixteenth Section Lease Payments and Deposits;
9. Ensure Compliance with State Law Regarding the Approval and Advertisement of Its Depositories;
10. Ensure Compliance with State Law Regarding Financial Reports;
11. Ensure Compliance with State Law Regarding Purchasing Procedures;
12. Ensure Compliance with State Law Regarding School Bus Usage by Outside Entities;
13. Ensure Compliance with State Law Regarding the Unemployment Compensation Fund;
14. Ensure Compliance with State Law Regarding the Sixteenth Section Educable Child Lists;
15. Ensure Compliance with State Law Regarding Certified Employees' Salaries, Maintaining Background Checks, and the Mississippi Department of Education (MDE) Certifications in Personnel Files;
16. Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees and PERS Retirees as Independent Contractors;
17. Ensure Compliance with State Law Regarding Surety Bonds and
18. Ensure Compliance with Federal Law Regarding the Children's Internet Protection Act (CIPA);

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

Quitman County School District

April 22, 2024

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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 our recommendations enable the **Quitman County School District** to accomplish its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

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

CHARLOTTE L. DUCKWORTH

Director of Compliance Audit

Office of the State Auditor

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

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters that might be a weakness in the internal control over financial reporting. 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 that we consider to be *significant deficiencies* in internal control. These matters are noted under the heading **SIGNIFICANT 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 **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

Terms used in this Report.

OSA- *Office of the State Auditor*

AGO – *Attorney General's Office*

MS AG Op. – *Mississippi Attorney General's Opinion*

COSO - *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission*

District – *Quitman County School District*

MDEAMSD – *Mississippi Department of Education Accounting Manual for School Districts*

Section – *Mississippi Code Annotated (1972)*

SIGNIFICANT DEFICIENCIES

Finding 1: The District Should Strengthen Internal Controls Regarding Bank Reconciliations.

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

Finding Detail: During the review of the District's bank reconciliations and investment statements, auditors noted that the Employment Revenue and 16th Section Escrow accounts were only reconciled quarterly.

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 District strengthen internal controls by ensuring all transactions are properly recorded in the District's general ledger and that all variances from book balances are accounted for in a timely manner.

Also, we recommend that the District reconcile bank accounts monthly to the general ledger by fund to effectively and timely account for any variance from the District's book balances.

District's Response: The bank accounts will be changed to the Employment Revenue, and 16th Section Escrow bank accounts from savings to checking to ensure the statements are received and reconciled monthly.

Repeat Finding: No.

Finding 2: The District Should Strengthen Internal Controls Regarding the Segregation of Duties Surrounding Deposits, Bank Reconciliations, and Journal Entries.

Internal Control Deficiency: The *COSO* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. An effective system of internal controls should include adequate segregation of duties. A well-designed system of internal controls should include segregating job duties to the greatest extent possible.

Finding Detail: During the review of the District's internal controls, the auditor noted that the bookkeepers at each school location were collecting cash, preparing deposit slips, taking the deposits to the bank, and creating journal entries.

Failure to have adequate internal controls could result in fraud or misappropriation of public monies.

Recommendation: We recommend the District strengthen controls by implementing effective and proper segregation of duties surrounding monies collected and deposited within all school locations.

District's Response: The District strives to provide sound internal controls with segregation of duties while maximizing cost efficiency. Each month when the activity funds are submitted to the finance department, the accountant and compliance manager review all transactions.

Repeat Finding: No.

Finding 3: The District Should Strengthen Internal Controls Regarding the District's Internal Control Environment.

Internal Control Deficiency: The *COSO* specifies that a satisfactory control environment is only effective when there are adequate control activities in place.

Finding Detail: During the review of the District's internal control environment, the auditor noted the following deficiencies:

- The former District's Business Manager resigned on March 31, 2022; however, he/she still had access to the accounting software, bank accounts electronically, and the safe in Central Office;
- Former employees' logins were not disabled within the accounting software upon resignation;
- The bank reconciliations are not reviewed by an independent employee;
- Interest earned on bank accounts is not credited to each fund monthly;
- Contracts and pay scales for certified employees are not reviewed;
- General ledger codes are not reviewed for accuracy to purchase orders;
- The District does not have a set of fixed asset forms;
- Deletion of capital assets is not verified as being valid; and
- Yearly inventory reports are not performed.

Failure to strengthen and implement proper internal control policies could result in fraud or misappropriation of public funds.

Recommendation: We recommend the District ensure policies and procedures are implemented to strengthen its internal control environment.

District's Response: Policies and procedures will be implemented to strengthen internal control environments.

Repeat Finding: No.

OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 4: The District Should Strengthen Internal Controls Regarding Contracts and Policies to Ensure Compliance with State Law Regarding Incentive Programs.

Internal Control Deficiency: The Board of Education may establish or adopt any orders, resolutions, or ordinances with respect to District affairs, property, and finances that are consistent with other State Laws (Home Rule). The Board of Education must also establish and oversee the performance of the District in order to comply with applicable laws and internal controls. The *COSO* and *The Standards for Internal Control in the Federal Government (Greenbook)* dictate that 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 Administrative Decisions and Guidance: *MS AG Op., Gaskin at *1 (October 11, 2022)*. States in part: Regarding incentive pay, Sections 66 and 96 of Article IV of the Mississippi Constitution prohibit a public entity from paying employees extra compensation for past services because it would constitute an unlawful donation. *MS AG Op., Eleuteris at *1 (Nov. 1, 2013)*. Payments in the form of bonuses are prohibited for this reason. *Id.* Employee incentive payments, however, that “are implemented prospectively and for which payment is made pursuant to conditions met in the future do not run afoul of [the] constitutional provisions.” *MS AG Op., Campbell at *1 (Apr. 12, 2010)*. Therefore, in order for the city to implement employee incentive pay, it must be “(1) contracted for between the parties or with the employee prior to the date when services are to be performed; (2) determined in accordance with objective standards of measurement; and (3) earned by personal services performed by the employees.” *MS AG Op., Chiles at *1 (Nov. 10, 2020)*. Whether the proposed ordinance meets these requirements is a determination that must be made by the Council. You may also wish to consult with the Mississippi Office of the State Auditor to determine whether the American Rescue Plan Act's State and Local Fiscal Recovery Funds may be used for the proposed incentive payments.

***2** Additionally, while performance-based incentive pay for municipal employees may be authorized when the above-cited conditions are met, such payments are excluded from “earned compensation” as defined by Section 25-11-103(k) of the Mississippi Code and may not be reported to the state's Public Employees' Retirement System (PERS) for purposes of retirement. *Chiles at *2*.

During the review of the District's contractual obligations and salary payments to employees, the auditor noted that the District adopted an “incentive pay” program to reward new teachers. 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 is essential to ensure incentive payments do not constitute prohibited payments, such as bonuses or donations. The incentive program, New Teacher Incentive Pay, designed by the District, is not in compliance with State Law for the following reasons:

- The District described the payment as a “bonus” in communications to the School Board, employees, and the general public for the 2021-2022 School Year; and
- The new teachers were not contracted to receive incentive pay prior to the date services were performed. The pay was approved on December 7, 2021; however, the teachers began working with the District on July 1, 2021.

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

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

District’s Response: The School District will ensure all incentive payments comply with state payment criteria.

Repeat Finding: No.

Finding 5: The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approval.

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

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

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

- District Maintenance (1 120) – **(\$590,607)**; and
- Title V Rural & Low (2311) – **(\$30,239)**.

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

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

District’s Response: The District will implement budgeting practices to prevent projected negative fund balances from being presented to the School Board.

Repeat Finding: No.

Finding 6: The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Activity/Athletic Fund Revenue and Deposits.

Internal Control Deficiency: The *COSO* 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.

School Board Policy: *Section D, Policy DKD, Revenues from Gate Receipts and Admissions*, states, "... The Athletic Director, Assistant Athletic Director, or Principal shall deposit or night drop deposit the total amount of the money collected within 24 hours..."

Applicable State Law: *Section 37-7-301(s)*, "To expend local school activity funds, or other available school district funds other than minimum education program funds, for the purposes prescribed under this paragraph. "Activity funds" shall mean all funds received by school officials in all school districts paid or collected to participate in any school activity, such activity being part of the school program and partially financed with public funds or supplemented by public funds... Activity funds may only be expended for any necessary expenses or travel costs, including advances, incurred by students and their chaperons in attending any in-state or out-of-state school-related programs, conventions or seminars, and/or any commodities, equipment, travel expenses, purchased services or school supplies which the local school governing board, in its discretion, shall deem beneficial to the official or extracurricular programs of the district..."

MDEAMSD, Section F, Activity Funds, Extracurricular Events, states, "No later than five working days after the close of the month, the principal will deliver to the central office a transmittal report of all activity fund transactions for the preceding month."

Finding Detail: During the review of the District's activity funds, the auditor noted the following exceptions:

- Eight deposits were made five to 16 days late;
- There was a net overage of **\$200** between deposits and ticket sales;
- Three school event receipt forms were not signed as certified by the principal;
- Seventeen deposits from varsity basketball games were recorded within the District Maintenance Fund rather than Activity Funds, totaling **\$18,485**;
- The District Office recorded monthly entries to record all activity funds collected at the schools into the general ledger; however, they did not separate these funds by activity; and
- There was no evidence of dates on Transmittals Forms when completed by the school or when received at the District Office; therefore, auditors were unable to determine if they were submitted within five (5) days after month-end.

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

Recommendation: We recommend the District strengthen policies and procedures regarding athletic revenue to ensure all athletic fund revenue is safeguarded, properly recognized, recorded, and deposited in a timely manner. We also recommend that the schools and the District Office date the transmittals when completed/received. The District should also separate activity funds by the source, so that monies can be efficiently maintained.

District's Response: The District will strengthen internal controls over athletic receipts by having more timely deposits and will ensure all athletic funds are deposited and recorded into the correct account. The District will ensure all transmittal forms are dated and submitted to the business department monthly.

Repeat Finding: No.

Finding 7: The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Reimbursements.

Internal Control Deficiency: Management is responsible for ensuring that all travel reimbursement 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. 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, Policy DJD, Expense Reimbursements*, states, "...For each mile actually and necessarily traveled in the employees' automobile or other private motor vehicle, the same rate of pay per mile as set by the Mississippi Department of Finance and Administration...Employees shall be reimbursed for other actual expenses such as meals, lodging, and other necessary expenses incurred in the course of such travel, subject to limitations placed on meals for intrastate and interstate official travel by the Mississippi Department of Finance and Administration and rules and regulation adopted by the Mississippi Department of Audit...The superintendent shall comply with the rules and regulations of the Mississippi Department of Audit regarding itemized expense accounts upon return of the employee."

Applicable State Law: *Section 25-3-41(4)*, "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 District's travel reimbursements, the auditor noted the following exceptions:

- There was no evidence or sufficient documentation for nine travel reimbursements to support the purpose of the conference or trip;
- Thirteen travel vouchers did not have documentation of agendas to verify meals were not served;
- Fourteen meal reimbursements were not itemized for actual expenses, and the maximum per diem was claimed on the travel vouchers; and
- On January 1, 2021, the Department of Finance and Administration (DFA) decreased the mileage rate from \$0.575 to \$0.56. On January 1, 2022, the mileage rate increased from \$0.56 to \$0.585. Management did not ensure these changes were implemented on travel reimbursements; therefore, there were fifteen (15) instances where mileage reimbursements were calculated using the incorrect mileage rate, which resulted in the net amount of **\$93.98** in mileage overpayments.

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

Recommendation: We recommend the District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure reimbursements for professional travel expenses are as required by State Law and regulations.

District's Response: The District will strengthen controls to ensure travel reimbursement complies with the Board Policy and state statutes.

Repeat Finding: No.

Finding 8: The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Sixteenth Section Lease Payments and Deposits.

Internal Control Deficiency: The *COSO* 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.

Applicable State Law: *Section 29-3-57*, "The superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section lands; likewise, he shall keep a correct, current docket upon the existing leases or any extensions thereof as to the amounts and time of payment of rentals provided for by such lease. It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. 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 District's sixteenth section land leases, the auditor noted the following exceptions:

- One lease payment was paid more than 60 days late; however, the lease agreement was not terminated; and
- One deposit for a lease payment was not made until seven days later.

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

Recommendation: We recommend the District strengthen internal controls and ensure compliance by assuring all lease payments are made within 60 days and deposited, as required by State Law.

District's Response: The District will strengthen internal controls to ensure all lease payments are made within 60 days and deposited within the required time frame.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 9: The District Should Ensure Compliance with State Law Regarding the Approval and Advertisement of Its Depositories.

Applicable State Law: *Section 37-7-333*, requires 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 District's depository bids, the auditor noted the following exceptions:

- On July 21, 2020, the Board approved three depositories, which is after the July 1st required date; and,
- The District could not provide the proof of publication and could not provide one of the three bank bids.

Inadequate controls surrounding its depositories resulted in noncompliance with State Law.

Recommendation: We recommend the District ensure compliance by properly advertising and accepting bids for depositories by July 1st every three years, as required by State Law.

District's Response: Quitman County School District will advertise and approve depository bids proposed in compliance with *Mississippi Code Annotated (1972) Section 37-7-333*.

Repeat Finding: No.

Finding 10: The District Should Ensure Compliance with State Law Regarding Financial Reports.

Applicable State Law: *Section 37-9-18(1)(a)*, "The State Board of Education shall promulgate rules and regulations concerning the type of financial reports required to be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted...."

Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board provides:

1. The State Board of Education is directed by Miss. Code Ann. §37-9-18 to promulgate rules and regulations concerning the type of financial reports required to be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted. At a minimum, the superintendent of schools shall furnish to the local school board the following required financial reports each month at the regular school board meeting:
 - a. Reconciled Bank Statements...
 - b. Statement of Revenues and Expenditures ...
 - c. Current Budget Status...
 - d. Cash Flow Statement by Month...
 - e. Combined Balance Sheet ...OR
 - f. Current Fund Equity Balances...

Finding Detail: During the review of the District's Board Minutes, the auditor noted that a complete set of financial reports were not presented to the Board for the following months:

- March 2021
- July 2021
- August 2021
- September 2021

- December 2021
- February 2022
- April 2022
- May 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 District ensure compliance by providing all monthly financial reports to the School Board monthly, as required by State Law.

District's Response: The District will ensure all monthly financial reports are submitted to the school board monthly as required by State Law.

Repeat Finding: No.

Finding 11: The District Should Ensure Compliance with State Law Regarding Purchasing Procedures.

Applicable State Law: *Section 31-7-13 (b)*, provides in part:

(b) **Bidding procedure for purchases over \$5,000.00 but not over \$50,000.00.** 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. Any state agency or community/junior college purchasing commodities or procuring construction pursuant to this paragraph (b) may authorize its purchasing agent, or his designee, to accept the lowest competitive written bid under Fifty Thousand Dollars (\$50,000.00). Any governing authority purchasing commodities pursuant to this paragraph (b) may authorize its purchasing agent, or his designee, with regard to governing authorities other than counties, or its purchase clerk, or his designee, with regard to counties, to accept the lowest and best competitive written bid. Such authorization shall be made in writing by the governing authority and shall be maintained on file in the primary office of the agency and recorded in the official minutes of the governing authority, as appropriate. The purchasing agent or the purchase clerk, or his designee, as the case may be, and not the governing authority, shall be liable for any penalties and/or damages as may be imposed by law for any act or omission of the purchasing agent or purchase clerk, or his designee, constituting a violation of law in accepting any bid without approval by the governing authority. The term "competitive written bid" shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor's letterhead or identifiable bid form and signed by authorized personnel representing the vendor. "Competitive" shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids. Any bid item for construction in excess of Five Thousand Dollars (\$5,000.00) shall be broken down by components to provide detail of component description and pricing. These details shall be submitted with the written bids and become part of the bid evaluation criteria. Bids may be submitted by facsimile, electronic mail or other generally accepted method of information distribution. Bids submitted by electronic transmission shall not require the signature of the vendor's representative unless required by agencies or governing authorities.

Section 37-41-101 states that no School Board of any District may purchase or lease a school bus for the transportation of its pupils without the authorization of the State Board of Education. Furthermore, for the safety of the District's pupils, all school buses purchased or leased must conform with the specifications of the State Board of Education.

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

- Six quotes were not signed and had no evidence that the quotes were obtained through electronic transmission;
- Three school buses were purchased, totaling **\$773,915**; however, the District did not have evidence of approval from the Mississippi Department of Education;
- Two vendor purchases in excess of \$5,000 did not have evidence of a second quote within the claim documentation; and

Failure to follow proper purchasing procedures could result in fraud or misappropriation of public monies and result in noncompliance with State Law.

Recommendation: We recommend the District ensure compliance by ensuring all proper purchase procedures are being followed and monitored, as required by State Law.

District's Response: The District will ensure compliance with the Mississippi Purchasing Law by obtaining two signed or electronic competitive bids on purchases over 50,000. The Transportation Director will be trained on MOE purchasing procedures for buses.

Repeat Finding: No.

Finding 12: The District Should Ensure Compliance with State Law Regarding School Bus Usage by Outside Entities.

Applicable Administrative Decisions and Guidance: *MS AG Op., Yoder at *1 (February 20, 2009)* states in part, "We find no authority for the school board to authorize the use of publicly-owned school buses for purposes other than for certain school-related activities which the school board may consider as part of the educational program for students enrolled in the public schools and participants in such program."

Finding Detail: During the review of the District's contracts, the auditor noted that the School Board approved two separate contracts with a private entity (Marks Outreach Program) for the use of the District's school buses for out-of-town activities.

Failure to ensure the District's school buses are utilized only for educational purposes that are part of the District resulted in a violation of State Law.

Recommendation: We recommend the District ensure its school buses are used only for the District's students for educational purposes and not outside entities, as required by State Law.

District's Response: The District will allow the use of school buses only for school-related activities.

Repeat Finding: No.

Finding 13: The District Should Ensure Compliance with State Law Regarding the Unemployment Compensation Fund.

Applicable State Law: *Section 71-5-359(5)*, "Each political subdivision, unless it elects to make contributions to the unemployment compensation fund as provided in subsection (9) of this section, shall establish a revolving fund and deposit an amount equal to two percent (2%) of the first Six Thousand Dollars (\$6,000.00) paid to each employee thereof during the next preceding year. However, the department shall by regulation establish a procedure to allow reimbursing political subdivisions to elect to maintain the balance in the revolving fund as required under this subsection or to annually execute a surety bond to be approved by the department in an amount not less than two percent (2%) of the covered wages paid during the next preceding year."

Finding Detail: During the review of the District's Unemployment Fund, the auditor noted that the District's Unemployment Compensation Fund's balance was **\$1,599** less than the amount required by *Section 71-5-359(5)*.

Failure to maintain an adequate balance in the Unemployment Compensation Fund resulted in noncompliance with State Law.

Recommendation: We recommend the District ensure compliance by ensuring adequate monies are deposited in the Unemployment Compensation Fund, as required by State Law.

District's Response: The District will ensure that the Unemployment Compensation fund maintains the adequate 2% fund balance as State Law requires.

Repeat Finding: No.

Finding 14: The District Should Ensure Compliance with State Law Regarding Sixteenth Section Educable Child Lists.

Applicable State Law: *Section 29-3-121*, "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*...."

Finding Detail: During the review of the District, the auditor noted the District failed to complete and send Educable Child Lists to Coahoma County School District for the 2021-2022 school year by December 31st, 2021.

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 result in noncompliance with State Law.

Recommendation: We recommend the 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 ensures compliance by ensuring all educable child lists are filed with Superintendents of custodial districts by December 31, as required.

Repeat Finding: No.

Finding 15: The District Should Ensure Compliance with State Law Regarding Certified Employees' Salaries, Maintaining Background Checks, and MDE Certifications in Personnel Files.

Applicable State Law: *Section 37-9-17(2)*, "...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 of Education or at such local school district prior to July 1, 2000..."

Section 37-9-37, “The amount of salary to be paid any superintendent, principal, or licensed employee shall be fixed by the school board, provided that the requirements of Chapter 19 of this title are met as to superintendents, principals, and licensed employees paid in whole or in part from minimum education program funds.”

MDEAMSD, Section B, Miscellaneous Issues, Subject D, Personnel Files, states, "There shall be individual personnel files in the school district central office, which include contracts, a copy of teacher certificates, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals."

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

- Five certified employees’ personnel files did not have evidence of background checks and fingerprints;
- Four personnel files did not have evidence of MDE educator’s certifications;
- Six certified employees’ gross salaries did not agree with the Board approved contract and salary schedules, totaling **\$47,058** and
- 20 employee contracts were not included in the educator’s personnel files.

Recommendation: We recommend the District ensure compliance by ensuring all criminal background checks and teacher certifications are obtained and maintained in the personnel files of its employees, as required by State Law. Also, we recommend that the District ensure all gross salaries are in accordance with the Board-approved salary scales and contracts.

District’s Response: Upon review, all employees' contracts were in their personnel files. The District will ensure all required documents are in each employee's files and that employees are paid on the correct salary scale.

Auditor’s Note: At the time of the testing and issuance of the management disposition request (**January 6, 2023**), the employees’ contracts were not present within their personnel files.

Repeat Finding: No.

Finding 16: The District Should Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees and PERS Retirees as Independent Contractors.

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

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

Finding Detail: During the review of the District’s PERS Form 4Bs and two PERS Employee vs Independent Contractor Determination Questionnaire documentation, the auditor noted the following exceptions:

- Seven retirees were paid more than the allowed salary by PERS, totaling **\$19,104**;
- Thirteen instances of the PERS Form 4Bs being incomplete due to the retiree's termination date being omitted;
- There was no evidence of one retiree's PERS Form 4B; therefore, OSA was unable to determine if it complied with State Law;
- The District paid the incorrect PERS Employer Contributions Rate to PERS for five employees, and the District failed to contribute the PERS Employer Contributions for six employees, resulting in an underpayment to PERS totaling **\$17,695**;
- There was no evidence of the Employee vs. Independent Contractor Determination letter from PERS for two contractors; therefore, OSA could not verify the status of the worker; and
- There was no evidence of retiree's signatures and filing with PERS on two Employee vs Independent Contractor Determination Questionnaires.

Failure to have adequate controls over the rehire of retirees resulted in noncompliance with State Law.

Recommendation: We recommend the District strengthen internal controls to ensure the District complies with *Section 25-11-127(4)* and PERS by properly paying employees and completing and filing Form 4Bs within five days of re-employment. We also recommend that the District obtain and retain all pertinent information of a PERS retiree who will be performing services as an independent contractor, including a copy of the notification received by the retiree from PERS.

District's Response: The payroll clerk will require all retirees reemployed by the District to come into the Business office to complete PERS forms 4B within five days of re-employment. The payroll clerk will fax the form to PERS, and the transmittal will be attached to the PERS form as proof of delivery.

Repeat Finding: No.

Finding 17: The District Should Ensure Compliance with State Law Regarding Surety Bonds.

Applicable State Law: *Section 25-1-12(1)*, "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), "...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."

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

Section 37-6-15, "(1) Before entering upon the discharge of the duties of his office, each member of the school board shall give a surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety, to be payable conditioned and approved in the manner provided by law. (2) The school board may execute a blanket bond for each school district official and employee (including school business managers and any other employee who receipts and/or disburses school district funds) in the penalty of Fifty Thousand Dollars (\$50,000), unless a different penalty is prescribed by statute, to be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund."

Section 37-9-31, “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, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety....”

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

- One Board Member was bonded with a continuation certificate;
- The bonds for the following employees did not cover the entire 2022 fiscal year:
 - One (1) Board Member;
 - Two (2) School Principals: Elementary and High School;
 - Two (2) Purchasing Agents: the Accounts Payable and Business Manager;
 - One (1) Cashier;
 - One (1) Admin Assistant & Accounts Payable Clerk; and,
 - One (1) Payroll & Insurance Clerk.
- The following individuals were identified as handling public funds for the District; however, they were not bonded:
 - One (1) Purchasing agent: Assistant Superintendent;
 - Three (3) Cafeteria Managers;
 - Three (3) Assistant Cafeteria Managers;
 - One (1) Child Nutrition Director;
 - One (1) Child Nutrition Assistant;
 - Three (3) School Secretaries;
 - Three (3) Assistant School Secretaries;
 - One (1) Athletic Director;
 - Three (3) Assistant School Principals; and,
 - Two (2) Athletic Event Ticker Sellers.
- The District could not provide a complete list of all staff who worked the gates as ticket sellers at sporting events or teachers who receipt monies; therefore, the auditor could not verify if all cash-handling employees were bonded for the 2022 fiscal year; and
- The Accounts Payable Clerk was bonded as a Purchasing Agent; however, Board policy did not designate this position as a purchasing agent.

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

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

Recommendation: We recommend the District ensure that new bonds are secured every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee as statutorily required. Additionally, the District should ensure that the employees listed are bonded according to Board approved policies and that all employees’ and officials’ bonds are filed with the Chancery Clerk’s office.

District's Response: The District will ensure all employees who require a bond are bonded.

Repeat Finding: No.

Finding 18: The District Should Ensure Compliance with Federal Law Regarding the *Children's Internet Protection Act* (CIPA).

Applicable Federal Law: *Children's Internet Protection Act* states, "Sections 1721 et. seq. CIPA provides that schools and libraries that have computers with Internet access must certify that they have in place Internet safety policies and technology protection measures in order to be eligible under Section 254(h) of the *Communications Act of 1934*, as amended (the Act), to receive discounted Internet access, Internet services, and internal connection services." Accordingly, schools are required to implement "technology protection measures" to block or filter internet access to content that is obscene, child pornography, or with respect to use of computers with Internet access to minors. Schools must also monitor the online activities of minors and provide for the education of minors about appropriate online behavior.

Finding Detail: During the review of the District, the auditor noted the following exceptions:

- The District's provider content filter failed to block image access to inappropriate content on administrative devices; and
- The District could not provide documentation for educating minors about appropriate online behavior; therefore, OSA could not verify that this requirement had been performed.

Failure to ensure that inappropriate online content was effectively blocked and minors were properly educated on online behavior resulted in noncompliance with the *Children's Internet Protection Act*.

Recommendation: We recommend the District ensure compliance by implementing adequate policies and procedures to ensure content filters are working effectively and minors are adequately educated on online behavior, as required by federal law.

District's Response: The District will implement procedures to ensure all internet filters work correctly and block inappropriate content on all computer devices. The District will work with the service provider to ensure compliance with CIPA.

Repeat Finding: No.

End of Report