

WINONA-MONTGOMERY CONSOLIDATED SCHOOL DISTRICT

MISSISSIPPI

COMPLIANCE REPORT

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

SHAD WHITE, CFE
State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*



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

March 21, 2024

Limited Internal Control and Compliance Review Management Report

Winona-Montgomery Consolidated School District
218 Fairground Street
Winona, Mississippi 38967

Dear Members of the Winona-Montgomery Consolidated School Board:

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

1. Strengthen Internal Controls over Investment Account Reconciliations;
2. Strengthen Internal Controls over Segregation of Duties Surrounding Cash, Deposits, Bank Reconciliations, Journal Entries, Payroll, and Accounts Payable Functions;
3. Strengthen Internal Controls over Its Internal Control Environment;
4. Strengthen Internal Controls and Ensure Compliance with State Law over Budget Procedures and Approval;
5. Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements;
6. Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Lease Deposits, Payments, and Agreements;
7. Strengthen Internal Controls and Ensure Compliance with State Law over Activity/Athletic Fund Receipts and Deposits;
8. Ensure Compliance with State Law over School Board Member Ethics and Nepotism;
9. Ensure Compliance with State Law over Monthly Financial Reports;
10. Ensure Compliance with State Law over Its Public Depositor's Annual Report;
11. Ensure Compliance with State Law over Purchase Laws;
12. Ensure Compliance with State Law over Ad Valorem Advertisements and Escrow;
13. Ensure Compliance with State Law over Statements of Economic Interest;
14. Ensure Compliance with State Law over Sixteenth Section Educable Child Lists;
15. Ensure Compliance with State Law over Certified Employees' Personnel Files;
16. Ensure Compliance with State Law over Education Enhancement Fund (EEF) Cards;
17. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
18. Ensure Compliance with State Law over Surety Bonds.

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

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

I hope you find our recommendations enable the **Winona-Montgomery Consolidated 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". The signature is written in a cursive style with a large initial "C".

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 **Winona-Montgomery Consolidated School District** for the year ended **June 30, 2022**.

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

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

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

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

SIGNIFICANT DEFICIENCIES

Finding 1: The School District Should Strengthen Internal Controls over Investment Account Reconciliations.

Internal Control Deficiency: Management is responsible for ensuring that the assets of the District are safeguarded and transactions are properly documented in the District's financial records. A critical aspect of internal controls is to ensure activity is balanced per the District's investment 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.

The Mississippi State Board 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..."

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

- The Certificate of Deposit account was not properly reconciled to the District's book balance resulting in a difference totaling **\$652**; and
- The QSCB Investment account was not properly reconciled to the District's book balance resulting in a difference totaling **\$5,358**.

Failure to record all transactions in the general ledger and properly reconcile investment 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 Winona – Montgomery Consolidated School District strengthen internal controls by implementing adequate policies and procedures to ensure all transactions are properly recorded in the District's general

ledger and all variances from book balances are accounted for in a timely manner. Also, we recommend the School District reconcile investment accounts monthly to the general ledger by each fund in order to effectively and timely account for any variance from the District's book balances.

District's Response: The Winona-Montgomery Consolidated School District will strengthen internal controls and implement policies and procedures to ensure all transactions are properly recorded in the District's general ledger and all variances from book balances are accounted for in a timely manner. The District will also reconcile investment 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. Note: QSCB statements are issued yearly and CD statements are issued quarterly.

Repeat Finding: No.

Finding 2: The School District Should Strengthen Internal Controls over Segregation of Duties Surrounding Cash, Deposits, Bank Reconciliations, Journal Entries, Payroll, and Accounts Payable Functions.

Internal Control Deficiency: *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread-way Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. 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 School District's internal controls, the auditor noted the following exceptions:

- The Business Manager reconciles and reviews bank statements, records cash and signs checks, and is responsible for approving, reviewing, and recording manual entries;
- The Payroll Clerk prepares certified employees' contracts, enters approved salary pay scale into the accounting software, reviews for accuracy, and enters sick, vacation, and personal leave into the accounting software; and
- The Accounts Payable Clerk prepares deposits and is responsible for taking them to the bank.

Failure to have proper segregation of duties could result in fraud or misappropriation of public monies.

Recommendation: We recommend the Winona-Montgomery Consolidated School District strengthen internal controls by implementing effective and proper segregation of duties surrounding bank reconciliations, cash activities, manual entries, and payroll functions.

District's Response: The District has noted all of these details and will take the recommendations offered to strengthen internal controls. The District has already made several changes including:

- Having someone other than the person reconciling the bank statements to review the bank statement when received in the office.
- Having the person opening the mail to record checks that were received and making a list.
- The person doing the bank reconciliations will initial and date at the time of completion.
- Someone other than the Payroll Clerk will enter the salary schedules and verify for accuracy.
- Someone other than the Business Manager will review reconciliations and journal entries for accuracy.

Repeat Finding: No.

Finding 3: The School District Should Strengthen Internal Controls over Its Internal Control Environment.

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

Finding Detail: During the review of the School District’s internal control environment, the auditor noted the following exceptions:

- Passwords within the District’s accounting software are not changed at least every three months or 90 days;
- User IDs within the District’s accounting software are not immediately deleted after an employee’s termination/resignation;
- There are not multiple signatures on AP checks, all other checks have two signatures; Clearing accounts have one signature that is printed on the checks. When there are two signatures, the Superintendent’s signature is printed on the checks, but the Business Manager actually signs the checks;
- Bank reconciliations are not reviewed by an independent person on a regular basis and documented by signature and dated;
- A list of checks and money received is not prepared by the person who opens mail;
- Electronic Fund Transfers (EFT) and Automated Clearing House (ACH) direct deposits are uploaded on a flash drive and hand – delivered to the bank for processing. The flash drive is not password protected, left at the bank overnight, and picked up by a District employee the next day; and
- Positive fund balances of federal accounts are not reported as unearned revenue at year end.

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

Recommendation: We recommend the Winona – Montgomery Consolidated School District strengthen internal controls by implementing adequate policies and procedures the district has an effective control environment.

District’s Response: The Winona-Montgomery Consolidated School District will ensure polices are in place and followed to strengthen internal controls. The District has noted all of these details and will take the recommendation offered to strengthen internal controls. The District has already made several changes including when delivering the EFT and ACH to the bank we will personally hand it to the Accounting Department and wait for them to upload the information. The District will continue to assess the recommendations and make adjustments as needed.

Repeat Finding: No.

OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

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

Internal Control Deficiency: *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread-way Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the School Board 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 37-61-9, Mississippi Code Annotated (1972)*, requires the combined budget and combining budgets for each fund type are reflected in the board minutes or an addendum to the board minutes. Both should be signed by both the Board’s president and secretary. Signed copies should be filed within the District.

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

Accounting Manual for School Districts, prescribed by the *Mississippi Department of Education*, states, “The budget formats which follow are to be prepared by each school district in formalizing its annual budget. These formats are prescribed by the State Auditor’s Office. A school district may use computer printouts provided they contain the same information as the prescribed forms. A separate budget is required for each individual fund within each generic fund type, with the exception of Agency Funds and Private Purpose Trust Funds. As required by *Section 37-61-19, Mississippi Code Annotated (1972)*, the approved combined budget and combining budgets for each fund type are to be reflected in the board minutes or an addendum to the board minutes. The original and amended budgets shall be signed and dated by the board president and secretary. Signed copies of all approved budgets must be filed for safekeeping and audit review.”

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

- The combining original and amended budgets for fiscal year 2022 were not presented to the Board and spread upon its minutes;
- The District’s actual expenditures for the following funds exceeded the budgeted expenditures in the combined amount of **\$50,644**.
 - Fund 2820 (Unemployment Compensation Fund); and
 - Fund 4024 (QSCB Debt Service Fund).
- Fund 2597 (CTE ESSER Grant) did not have budgeted expenditures;
- On August 10, 2021, the Board approved the 2021-2022 original budget that included nine funds reflecting a projected negative fund balance at year end, totaling **(\$659,649)**;
- The amended 2020-2021 budget included the following six funds reflecting a negative fund balance at year-end:
 - 1151 Activity **(\$3,028)**;
 - 2211-Title II Low **(\$11,158)**;
 - 2311-Title VI Rural & Low **(\$3,304)**;
 - 2594-ESSER II **(\$93,253)**;
 - 2602-CTE ESSER II Grant **(\$8,49)**; and
 - 2610-EHA/IDEA Part B **(\$27,324)**.

Failure to ensure there are available resources for all expenditures could result in deficit fund balances.

The approval of a budget with negative fund balances could result in actual fund balances being negative; however, in this case the actual fund balances at June 30, 2022 were not negative.

Failure to ensure the Board approved the original and amended combining budgets and spread them upon the minutes resulted in a noncompliance with state law.

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

District’s Response: The Winona-Montgomery Consolidated School District will implement budgeting practices that will prevent projected negative fund balances from being presented to the School Board. A thorough review of such budgets would be made prior to presentation to the Board for approval.

Repeat Finding: No.

Finding 5: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Travel Reimbursements.

Internal Control Deficiency: *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread-way Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require management to be responsible for ensuring travel reimbursements are completed and corroborating evidence is maintained.

School Board Policy: *Section D, Policy DJD – Expense Reimbursements*, states, “For each mile actually and necessarily traveled in the employee’s automobile or other private motor vehicle, the same rate of pay per mile as set by the Mississippi Department of Finance and Administration. Employees are expected by the board to car pool where two (2) or more employees are traveling to the same destination. In such an event only one Strengthen Internal Controls to (1) travel expense allowance at the authorized rate per mile shall be allowed for any one (1) trip”

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

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

- There were seven instances in which two employees were traveling to the same destination; however, they did not car pool, as required by the District’s Board Policy;
- Seven purchase orders were less than the travel reimbursements, resulting in **\$1,265** overpayment;
- Five travel voucher reimbursements did not include corroborating evidence for the purpose of the travel;
- One District employee was reimbursed travel one-way rather than roundtrip; and
- One employee stayed overnight for a workshop 70 miles away, while other co-workers carpooled together.

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

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

District’s Response #1: The Winona-Montgomery Consolidated School District (WMCS D) will strengthen internal controls to ensure that the expense reimbursements comply with the Board policy and State statutes referenced in the corresponding Management Disposition Request.

District’s Response #2: WMCS D will regularly monitor the Department of Finance and Administration's (DFA) recommendations for travel rates and make those changes effective immediately upon the DFA's adoption.

District's Response #3: WMCS D will change policy DJD to recommend that employees travel together whenever practicable. Changes were made to travel reimbursement procedures regarding corroborating evidence at the recommendation of the auditor who conducted the District', regular fiscal audit for Fiscal Year 2021. Agendas have been required for each travel request for reimbursement since the recommendation was made to the District. The District will continue to train employees on State laws and local policies and procedures regarding travel reimbursement.

Repeat Finding: No.

Finding 6: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Sixteenth Section Lease Deposits, Payments, and Agreements.

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

Applicable State Law: *Section 29-3-57, Mississippi Code Annotated (1972)*, states, “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 School District's sixteenth section land leases, the auditor noted the following exceptions:

- Two lease payments were not deposited in a timely manner;
- Three lease payments were more than 60 days late; however, the lease agreements were not terminated;
- Six lease agreements should have been for a term of four years; however, the specified date range was greater than four years; and
- Six lease agreements did not include their townships and ranges.

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

Recommendation: We recommend the Winona-Montgomery Consolidated School District strengthen internal controls and ensure compliance by assuring all lease payments are made within 60 days, payments are made in a timely manner, and lease agreements are adequately recorded, as required by state law.

District's Response: The Winona-Montgomery Consolidated School District will ensure compliance by assuring lease payments are made within 60 days and deposits are made in a timely manner. The Superintendent and Sixteenth Section management will implement controls, policies, and procedures to ensure all lists are prepared and filed with the Superintendent of custodial districts by December 31st of each year.

Repeat Finding: No.

Finding 7: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Activity/Athletic Fund Receipts and Deposits.

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

Applicable State Law: *Accounting Manual for School Districts, Section F, Activity Funds, School Event Receipt Form*, prescribed by the *Mississippi Department of Education*, states, “Pre-numbered tickets must be used at any local school event for which a fee is charged for admission and it is anticipated that the event will generate more than \$100. All pre-numbered tickets for such events will be accounted for using the School Event Receipt Form...A separate form must be completed for each individual selling tickets.”

Accounting Manual for School Districts, Section F, Activity Funds, Transmittal Report, prescribed by the *Mississippi Department of Education*, 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.” The Mississippi Department of Education prescribes the receipt and transmittal report forms to be used by the school districts.

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

- Four ticket reconciliation forms did not include beginning nor ending ticket numbers; therefore, the auditor could not verify the number of tickets sold; and
- Two ticket reconciliation forms did not have evidence of the start-up cash, as required by MDE standards.

Failure to have adequate internal controls related to athletic fund revenue collections could result in a loss of assets and improper revenue recognition.

Recommendation: We recommend the Winona-Montgomery Consolidated School District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure receipts from all activity funds are safeguarded, properly recognized, and recorded, as required by state law.

District’s Response: The Athletic Director will review the District’s procedures for ticket sales and deposits with the duty teachers prior to each game. This review will include written directions and a signature line that employees have read and understand the procedures. The Athletic Director will be responsible for ensuring that all forms are filled out correctly, and the Business Office will check event forms to verify that the information is completed.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

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

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

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

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

Finding Detail: During the review of the School District’s related party questionnaires, the auditor noted one Board member did not recuse themselves during the approval of his or her mother, as a certified teacher.

Failure to ensure Board members recuse themselves from the votes of the rehire of a relative within the third degree resulted in the noncompliance with state law

Recommendation: We recommend the Winona – Montgomery Consolidated School District ensure compliance by assuring all Board members recuse themselves during the vote of relatives within the first and third degree, as required by state law. This matter has been referred to the *Mississippi Ethics Commission*.

District’s Response: The Winona-Montgomery Consolidated School District ensures the Board members recuse themselves during the rehire of certified employees within the first and third degree, are required by *Mississippi Code Section 37-9-21* and *Mississippi Ethics 07-59-E*.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Monthly Financial Reports.

Applicable State Law: *Section 37-9-18(1)(a), Mississippi Code Annotated (1972)*, states, “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 states that, “at minimum, the Superintendent should provide reconciled bank statements, a statement of revenues and expenditures, current budget status, a cash flow statement by month, and a combined balance sheet or current fund equity balances.”

Finding Detail: During the review of the School District’s financial reports, the auditor noted that a complete set of financial statements were not presented to the School Board monthly and spread upon the Board’s minutes.

Failure to comply with the monthly financial reporting requirements resulted in noncompliance with state law.

Recommendation: We recommend the Winona-Montgomery Consolidated School District ensure compliance by assuring an accurate and complete set of financial reports are submitted to the Board each month, as required by state law.

District's Response: The Winona-Montgomery Consolidated School District will submit all the required financial reports to the Board at the regular school board meeting each month.

Repeat Finding: No.

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

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

Finding Detail: During the review of the School District's Public Depositor's Annual Report, the auditor noted it was not filed within thirty days following the fiscal year end, as required by state law.

Failure to file the Public Depositor's Annual Report by July 30th resulted in noncompliance with state law.

Recommendation: We recommend the Winona – Montgomery Consolidated School District ensure compliance by assuring its Public Depositor's Annual Report is filed with the State Treasurer no later than 30 days following its fiscal year end, as required by state law.

District's Response: The Winona-Montgomery Consolidated School District will submit the District's 2022 Public Depositor Annual Report to the Mississippi State Treasurer's Office within thirty days of the fiscal year end. The Business Officer will add this to her calendar of items to complete within 30 days of the end of the fiscal year.

Repeat Finding: No.

Finding 11: The School District Should Ensure Compliance with State Law over Purchase Laws.

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 31-7-31(d)(i) Mississippi Code Annotated (1972), states, "If any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid."

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

- Five vendor payments were more than the approved purchase orders, totaling **\$25,271**:
 - Sports Specialty **\$ 5,984**
 - Waters Truck & Tractor **\$ 4,797**
 - Sports Specialty **\$ 152**
 - Waters Truck & Tractor **\$14,087**

- Sports Specialty \$ 251
- Four bids were submitted to the District that did not have signatures, totaling **\$48,838**. Additionally, the District could not provide evidence as to whether the bids were submitted electronically:
 - Standbury Uniforms \$48,838
 - Gandy Ink \$ 6,000
 - School Specialty \$ 8,719
 - Varsity Sports \$ 8,481
- Three Board approved bids were accepted; however, they were not the lowest and best bids. Additionally, this approval was not spread upon the Board minutes as such, totaling **\$72,038**:
 - CDW \$19,703
 - Apple \$25,485
 - Wenger Corporation \$10,029

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

Recommendation: We recommend the Winona-Montgomery Consolidated School District ensure compliance by assuring the Board approves any other – than – lowest purchases, documentation is maintained to support electronic transmission quotes, and purchase orders match the vendor invoices, as required by state law.

District’s Response #1: The Winona-Montgomery Consolidated School District (WMCS D) will have the Board approve any other than lowest bids for purchases.

District’s Response #2: WMCS D will adopt policies to require purchase orders to match the vendor invoices. Additionally, WMCS D may overestimate the purchase order amount and reprint purchase orders when the amount is higher than that which was estimated so the purchase order and check amount are the same.

District’s Response #3: WMCS D will provide training to all employees regarding the requirement of obtaining a signature or evidence to show bids were received electronically.

Repeat Finding: No.

Finding 12: The School District Should Ensure Compliance with State Law over Ad Valorem Advertisements and Escrow.

Applicable State Law: *Section 27-39-207(2)(a), Mississippi Code Annotated (1972)*, states, “The school board of the school district shall advertise its intent to increase its ad valorem tax effort in dollars in a newspaper of general circulation in the county. The advertisement shall be no less than one-fourth (¼) page in size and the type used shall be no smaller than eighteen (18) point and surrounded by a one-fourth-inch solid black border. The advertisement shall not be placed in any portion of the newspaper where legal notices and classified advertisements appear.”

Section 27-39-207(2)(b), Mississippi Code Annotated (1972), provides that: Except as provided for in subsection (1) of this section, if a school district is requesting an increase in ad valorem tax effort in dollars pursuant to *Sections 37-57-105 and 37-57-107*, it shall be written in the requisite form.

Section 37-57-105(3), Mississippi Code Annotated (1972), states, “The aggregate receipts from ad valorem taxes levied for school district purposes, excluding collection fees, pursuant to this section and *Section 37-57-1* shall be subject to the increased limitation under *Section 37-57-107*; however, if the ad valorem tax effort in dollars requested by the school district for the fiscal year exceeds the next preceding fiscal year’s ad valorem tax effort in dollars by more than four percent (4%)

but not more than seven percent (7%), then the school board shall publish notice thereof once each week for at least three (3) consecutive weeks in a newspaper having general circulation in the school district involved, with the first publication thereof to be made not less than fifteen (15) days prior to the final adoption of the budget by the school board.”

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

- The District’s ad valorem advertisement did not include the revenue increase and specified language required by state law; and
- The District received more ad valorem taxes and homestead exemption reimbursements than the amount allowed by *Section 37-57-107, Mississippi Code Annotated (1972)*. The excess is the result of the District not using the specified language and receiving more tax revenue from the County than the District’s base amount. requested amount of revenue to be obtained through ad valorem taxes;

The miscalculation resulted in an excess collected during 2021-2022 years totaling **\$53,322** and resulted in noncompliance with state law.

Recommendation: We recommend the Winona-Montgomery Consolidated School District ensure compliance by implementing adequate policies and procedures to ensure the limitation of ad valorem taxes and homestead exemption reimbursements are met, as required by state law. Also, we recommend the School District escrow the excess noted, totaling **\$53,322**.

District’s Response: The Winona-Montgomery Consolidated School District will ensure that the tax request publication follows the State Laws and that the ad valorem tax increase is the same amount requested by the School Board. The District has prepared a file that include the tax request publication according to the current State Laws. This will allow members of the Business Office to have a copy to use to check what is sent to the local newspaper. See attached “Notice of Proposed Ad Valorem Tax Effort WMCS D.” Winona-Montgomery Consolidated School District will make sure that the Business Manager will correctly calculate the escrow or shortfall for ad valorem each year.

Repeat Finding: No.

Finding 13: The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

Applicable State Law: *Section 25-4-25, Mississippi Code Annotated (1972)*, provides that “Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a) Persons elected by popular vote...” *Section 25-4-29(1), Mississippi Code Annotated (1972)*, provides that “Required statements hereunder shall be filed as follows: a) Every incumbent public official required...to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration...2) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00) shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer’s county of residence...”

Finding Detail: During the review of the School District’s Statements of Economic Interest, the auditor noted the following exceptions:

- Two Board members failed to file a Statement of Economic Interest by the May 1st deadline; and
- One Board member did not file a Statement of Economic Interest for Fiscal Year 2022.

Failure to file the Statement of Economic Interest could result in fines being assessed and a civil judgment being enrolled against the delinquent filers, as allowed by *Section 25-4-29(2)*, and resulted in noncompliance with state law.

Recommendation: We recommend the Winona-Montgomery Consolidated School District ensure compliance by assuring all School Board members file their Statement of Economic Interest annually, no later than May 1st of each year that such official holds office, regardless of the duration.

District's Response: The Superintendent will add the following to the Winona-Montgomery Consolidated School District's Calendar for Board Action for the month of March each year: Board members must file Statement of Economic Interest. The Superintendent will send letters to the Board Members listed in the finding.

Repeat Finding: No.

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

Applicable State Law: *Section 29-3-121, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year as provided by *Section 29-3-119, Mississippi Code Annotated (1972)*."

Finding Detail: During the review of the School District's educable child lists, the auditor noted for 2021-2022 school year, the list was not filed with Choctaw County School District (**16-18N-9E**).

Failure to file the educable child lists with the custodial district could result in forfeiting funds that the District would otherwise be entitled to.

Recommendation: We recommend the Winona-Montgomery Consolidated 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: There were zero students eligible so no letter was sent. Going forward, the District will include a letter even if there are no students eligible.

Repeat Finding: No.

Finding 15: The School District Should Ensure Compliance with State Law over Certified Employees' Personnel Files.

Applicable State Law: *Accounting Manual for School Districts, Section B, Miscellaneous Issues, Subject D, Personnel Files*, prescribed by the *Mississippi Department of Education*, states, "There shall be individual personnel files in the school district central office, which include contracts, a copy of teacher certificates, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals."

Finding Detail: During the review of the School District certified employees' personnel files, the auditor noted that all 25 certified employee's personnel files did not have evidence of the Board approved contracts.

Failure to have adequate controls and proper procedures surrounding contracts and payroll resulted in noncompliance with state law.

Recommendation: We recommend the Winona-Montgomery Consolidated School District ensure compliance by assuring to maintain required documentation in the personnel files of its employees, as required by state law.

District's Response: Starting immediately, the Winona-Montgomery Consolidated School District will print the digitally signed and submitted employee contracts and place them in the respective employee files. Contracts for School Year 2021-2022 and School Year 2022-2023 will be printed and filed no later than November 18, 2022.

Repeat Finding: No.

Finding 16: The School District Should Ensure Compliance with State Law over Education Enhancement Fund (EEF) Cards.

Applicable State Law: *Section 37-61-33(3)(a)(iii), Mississippi Code Annotated (1972)*, states, "On or before September 1 of each year, local school districts shall determine and submit to the State Department of Education the number of teachers eligible to receive an allocation for the current year. For purposes of this subparagraph, "teacher" means any employee of the school board of a school district, or the Mississippi School for the Arts, the Mississippi School for Math and Science, the Mississippi School for the Blind or the Mississippi School for the Deaf, who is required by law to obtain a teacher's license from the State Department of Education and who is assigned to an instructional area of work as defined by the department, but shall not include a federally funded teacher"

Finding Detail: During the review of the School District's Education Enhancement Funds (EEF) procurement cards, the auditor noted that one federally funded teacher was issued an EEF card.

Failure to have adequate internal controls surrounding EEF procurement cards could result in the loss or misappropriation, fraud, waste, and abuse of public funds and resulted in noncompliance with state law.

Recommendation: We recommend the Winona-Montgomery Consolidated School District ensure compliance by assuring the proper distribution of the procurement cards are only to eligible teachers, as required by state law.

District's Response: We recommend the Winona-Montgomery Consolidated School District strengthen internal controls and ensure compliance by implementing adequate policies surrounding the issuance and documenting of EEF procurement cards, as required by state law.

Repeat Finding: No.

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

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

retirement or such later date as established by the board, he or she may be reemployed while being paid a retirement allowance under the terms and conditions provided in this section.”

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

Finding Detail: During the review the School District’s PERS Form 4Bs, the auditor noted nine retirees were paid more than the salary amount allowable by PERS, totaling **\$616**.

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

Recommendation: We recommend the Winona-Montgomery Consolidated School District ensure compliance by assuring rehired retirees are properly paid and all PERS Form 4Bs are properly completed, as required by state law.

District’s Response: The District used 1st date of the school year instead of actual start date which resulted in untimely submissions. The District created a spreadsheet to ensure no overage of earnings limits for employees. The District will adhere to all requirements of State Laws over Reemployment of Retired Public Employees.

Repeat Finding: No.

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

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

Section 25-1-19, Mississippi Code Annotated (1972), states, “The bond of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the chancery court of the county...”

Section 37-6-15, Mississippi Code Annotated (1972) states, “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. 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 37-7-321(1), Mississippi Code Annotated (1972) and Board Policy DH, Bonded Employees and Board Members, states, “The school board of an school district within the State of Mississippi, in its discretion, may employ one or more

persons as security personnel and may designate such person as peace officers in or on any property operated for school purposes by such board upon their taking such oath and making such bonds as required of a constable of the county in which the school district is situated.”

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), with sufficient surety.”

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

- The Purchase Agent’s and Superintendent’s bonds did not include the employees’ complete term of office;
- Two school resource officers were not bonded; and
- 48 District employees that handle cash or has custody of public funds were not bonded:
 - Business Manager;
 - Accounts Payable Clerk;
 - Athletic Director;
 - Four Bookkeepers;
 - Three receptionist/school secretaries;
 - Two cheer coaches; and
 - 36 gatekeepers/certified teachers.

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

Recommendation: We recommend the Winona-Montgomery Consolidated School 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 employees 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: Prior to testing but after fiscal year 2022, the District bonded the SROs. The District will bond all individuals according to the term of their contract and will bond individuals who come in contact with significant amounts of cash.

Repeat Finding: No.

End of Report