



## **COMPLIANCE REPORT**

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### **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*





**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
SHAD WHITE  
AUDITOR**

**March 3, 2024**

**Limited Internal Control and Compliance Review Management Report**

Yazoo City School District  
94 Panther Drive  
Yazoo City, Mississippi 39194

Dear Yazoo City School Board Members:

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

1. Strengthen Internal Controls Regarding Segregation of Duties and the Control Environment;
2. Strengthen Internal Controls Regarding Professional Service Contracts;
3. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Payment of the Superintendent's Salary;
4. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Its Chief Finance and Business Manager Position;
5. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Stipends;
6. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Contract Policies and Incentive Programs;
7. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approvals and Procedures;
8. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Open Meetings, Access, and Maintenance of Board Minutes;
9. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Reimbursements;
10. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Credit Card Usage;
11. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Activity/Athletic Fund Cash Receipts and Deposits;
12. Ensure Compliance with State Law Regarding Contractor Ethics;
13. Ensure Compliance with State Law Regarding Financial Reports;
14. Ensure Compliance with State Law Regarding Approval of Depositories;
15. Ensure Compliance with State Law Regarding Purchasing and Expenditure Coding;
16. Ensure Compliance with State Law Regarding Ad Valorem Tax Request Publication and Escrow;
17. Ensure Compliance with State Law Regarding Unemployment Compensation Fund;
18. Ensure Compliance with State Law Regarding District – Owned Building Use;
19. Ensure Compliance with State Law Regarding Sixteenth Section Land Appraisals;
20. Ensure Compliance with State Law Regarding Sixteenth Section Educable Child Lists;
21. Ensure Compliance with State Law Regarding Annual Sixteenth Section School Trust Land Report;
22. Ensure Compliance with State Law Regarding Education Enhancement Fund (EEF) Pledge;
23. Ensure Compliance with State Law Regarding Certified Employees' Contracts and Background Checks;
24. Ensure Compliance with State Law Regarding District Owned Vehicles;

25. Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees;
26. Ensure Compliance with State Law Regarding Bereavement Leave Policy;
27. Ensure Compliance with State Law Regarding Surety Bonds; and
28. Ensure Compliance with Federal Law Regarding 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.

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 **Yazoo City 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, appearing to read "Charlotte L. Duckworth".

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

The Office of the State Auditor has completed its limited internal control and compliance review of the **Yazoo City 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. These matters are noted under the heading **SIGNIFICANT DEFICIENCIES**.

We identified certain deficiencies in internal controls over financial reporting that we consider to be other deficiencies in internal control. These matters are noted under the headings **OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

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**.

Also, while performing our review, we noted an instance of noncompliance with federal law that require the attention of management. This matter is noted under the heading **INSTANCE OF NONCOMPLIANCE WITH FEDERAL LAW**.

Terms used in this Report.

OSA- *Office of the State Auditor*

AGO – *Attorney General's Office*

DFA – *Mississippi Department of Finance Administration*

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 – *Yazoo City School District*

MASD – *Mississippi Achievement School District (Yazoo City and Humphreys School Districts)*

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

Section – *Mississippi Code Annotated (1972)*

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## **SIGNIFICANT DEFICIENCIES**

**Finding 1:** The District Should Strengthen Internal Controls Regarding Segregation of Duties and the Control Environment.

**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 control environment, the auditor noted the following exceptions:

- The Accounting Clerk collects cash, prepares deposit, takes deposits to the bank, and enters receipts into the general ledger;
- Superintendent's signature can be generated without approval; and
- Journal entries are not reviewed.

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

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

**District's Response:** The District will strengthen internal controls by ensuring policies and procedures are in place and by ensuring those policies and procedures are followed.

**Repeat Finding:** No.

**Finding 2:** The District Should Strengthen Internal Controls Regarding Professional Service Contracts.

**Internal Control Deficiency:** The *COSO* specifies that a satisfactory control environment is only effective when adequate control activities are in place. Management is responsible for properly safeguarding the District's assets and ensuring the terms of professional service contracts are met and adhered to.

**Finding Detail:** Based on the review of the District's contracts, the auditor noted that the quote for the contract for computer technology consulting services with Keryx 812 Group, Inc. detailed that the services performed and provided would be in-person, 3.5 days per week, with the remaining days to be performed remotely. This contract was estimated at **\$89,300**. The auditor noted the following exceptions pertaining to the performance of these services:

- The contractor was unable to provide travel documentation to verify their arrival at the District or their return to their home base in Chicago, Illinois;
- Invoices submitted did not specify whether the services were provided in-person or remotely;
- The sign-in sheets provided by the District from January 1, 2022, to June 7, 2022, were compared to the contractor's spreadsheet and timesheets. The following discrepancies were noted:

Discrepancies		
Time Period	Contractor Documented Days Worked	District Sign-in Sheets Provides Days Worked
January 2022	16	4
February 2022	16	8
March 2022	19	7
April 2022	10	3
May 2-22	17	4
June 1-7, 2022	2	0
June 12-18, 2022	Signed Timesheet Provided	No Sign-in Sheets
June 19-25, 2022	Unsigned Timesheet Provided	No Sign-in Sheets
June 26-July 2, 2022	The contractor provided an unsigned timesheet, but there were no sign-in sheets for the District. The timesheet and related emails do not agree.	

Failure to verify work is provided per contractual agreements could lead to improper contract payments.

**Recommendation:** We recommend the District strengthen internal controls to ensure services are completed as detailed within its consulting service contracts and to prevent improper contract payments.

**District's Response:** The District will strengthen controls over contracts and contract payments to ensure the district does not make improper payments to vendors.

**Repeat Finding:** No.

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## **OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW**

**Finding 3:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding the Payment of the Superintendent's Salary.

**Internal Control Deficiency:** *The Mississippi State Board of Education Contingent Employment Agreement for the Superintendent of the Mississippi Achievement School District Superintendent of the Mississippi Achievement School District (MASD) section 3, Compensation (g), states, "The salary, benefits, and cost identified shall be borne directly and equally by the former school districts incorporated into the MASD. The Superintendent with the assistance of the Mississippi Department of Education, shall take all measures necessary to facilitate the payment of the compensation due to the Superintendent from incorporated districts."*

**Applicable State Law:** *Section 37-17-17(2), "The Mississippi Achievement School District shall be governed by the State Board of Education."*

*Section 37-17-17(4), "...The superintendent of the Mississippi School District shall exercise powers and duties that would afford significant autonomy but are bound by the governance of the State Board of Education."*

**Finding Detail:** During the review of the Superintendent's contract and payroll accounts, the auditor noted the Humphreys County School District paid 100% of the Superintendent's salary for fiscal years 2019, 2020, 2021, and 2022. As of June 6, 2022, the Yazoo City School District has not reimbursed the Humphrey County School District for its portion of the Superintendent's salary totaling **\$286,531**, which is the sum owed for its portion of the Superintendent's salary from 2019 to current.

Failure of the Yazoo City School District to pay 50% of the Superintendent's salary resulted in a violation of the terms of the contract signed and approved by the State Board of Education.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by assuring that it reimburses the Humphrey County School District **\$286,531** for its portion of the Superintendent's salary.

**District's Response:** The Yazoo City School District will reimburse the Humphreys County School District for its portion of the Superintendent's salary.

**Repeat Finding:** No.

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**Finding 4:** The MASD Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding the Qualifications of the Chief Finance and Business Manager Position.

**Internal Control Deficiency:** The Superintendent of the MASD created the Position of Executive Director of Administrative Services. Per the job description, the individual will serve as the chief finance and business officer for the

state's first achievement school district, which will manage the two Directors of Finance for each School District in the MASD. The minimum qualifications of this job governed by the Superintendent are as follows:

- 1.) Bachelor's degree from an accredited college or university in business, finance, accounting, or a related field;
- 2.) Five years of full-time, paid management-level experience in school district finance; and
- 3.) Business manager certification in the State of Mississippi.

**Applicable State Law:** *Section 37-17-17(2)*, "The Mississippi Achievement School District shall be governed by the State Board of Education."

*Section 37-17-17(4)*, "...The superintendent of the Mississippi Achievement School District shall exercise powers and duties that would afford significant autonomy but are bound by the governance of the State Board of Education."

**Applicable Administrative Guidance:** *Mississippi Department of Education Policy Manual, Chapter 71, Rule 71.2*, "The individual designated as the licensed School Business Administrator shall hold the School Business Administrator License...The following minimum qualifications shall be met for initial licensing: A baccalaureate degree from an accredited four-year college or university in accounting. Other baccalaureate degrees from an accredited four-year college or university in Finance Business Administration or other business-related curriculum may be considered but shall include a minimum of fifteen (15) specified semester hours successfully completed in accounting..."

**Finding Detail:** During the review of the MASD's organizational chart, the auditor noted the individual in the position of Executive Director of Administrative Services for the MASD for fiscal years 2021 and 2022 does not meet the minimum qualifications to be employed as the MASD's chief finance and business officer. Per review of the personnel files, the current director does not have a finance, business or accounting degree, five years of experience in school district finance nor certification as a business manager in the State of Mississippi.

Failure on behalf of the Superintendent as the governing authority to hire an individual who meets the minimum requirements resulted in noncompliance with State Law and the MASD's job requirements.

**Recommendation:** We recommend that the MASD strengthen internal controls and ensure compliance by ensuring that all individuals hired as the District's Executive Director of Administrative Services meet the minimum qualifications of both the State Board of Education and its own job description.

**District's Response:** The District has corrected this finding by hiring a chief business officer who is MDE certified and meets the qualifications of the State Board of Education.

**Repeat Finding:** No.

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**Finding 5:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Stipends.

**Internal Control Deficiency:** Management is responsible for properly safeguarding the assets of the District and ensuring all travel stipends are approved, documented, and allowed.

**School Board Policy:** *Section D, Policy DJ, Expense Reimbursements*, states, "Administrative personnel and others who have first been authorized by the superintendent to travel in the performance of their duties shall be advanced or reimbursed their expenses by the school district for such travel as indicated below:

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 regulations 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... The Superintendent ONLY is authorized to approve travel advances. An accounting for any travel advance shall be made within five (5) working days after the end of the month in which the official travel was made. Any money not used for travel related expenses shall be repaid to the school district at this time.”

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

**Finding Detail:** During the review of the District’s Board Minutes, payroll reports, personnel files, travel reimbursements, and inquiry of personnel, the auditor noted the following exceptions:

- Per review of the employees’ personnel files and inquiry of Business Office personnel, the School District does not maintain nor require travel logs for these employees for inter District travel in their private vehicles; and
- Superintendent/Board of Education approved travel stipends for District employees for fiscal years 2020, 2021, and 2022, totaling **\$101,713**:
  - 2020 - **\$37,100**;
  - 2021 - **\$31,800**;
  - 2022 - **\$32,813**;

Failure to maintain travel logs for District employees receiving inter-district support stipends resulted in noncompliance with state law.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance regarding travel reimbursements by ensuring employees are paid from actual claim vouchers, as required by DFA.

**District’s Response:** The Yazoo City School District will immediately cease all intra-district travel stipends. Any employee conducting official school district business in their personal vehicle will be required to submit an official travel reimbursement pursuant to *Board policy DJD*.

**Repeat Finding:** No.

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**Finding 6:** 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 ordinance with respect to District affairs, property, and finances which are consistent with other state law (Home Rule). The Board of Education must also establish and oversee the performance of the School District in order to comply with applicable law and internal controls. *The Committee of Sponsoring Organizations of the Treadway Commission (COSO)* and *The Standards for Internal Control in the Federal Government (Greenbook)* dictate that in order to have a successful control environment,



the organization must design and implement internal control policies and procedures that ensure compliance with all relevant regulations.

**Applicable 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 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*.

**Finding Detail:** 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 certified teachers, teacher assistants, and support staff. The 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 recruitment and placement incentive program, designed by the District, currently provides incentives for services that were not contracted for prior to the date they were performed.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance regarding incentive payments by ensuring that all payments are in compliance 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 State Law.

**District’s Response:** The District will strengthen internal controls and ensure compliance over incentive payments by ensuring that all payments are in compliance with the required criteria. The district has already contacted the Mississippi Department of Education to ensure its incentive program is in compliance with the law.

**Repeat Finding:** No.

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**Finding 7:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approvals and Procedures.

**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 37-61-9*, 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 37-61-9* and the State Board of Education, requires that prior to the adoption of a budget pursuant to this section, the school board of each school district shall hold at least one (1) public hearing to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget. The public hearing shall be held at least one (1) week prior to the adoption of the budget with advance notice. Additionally, 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 copy should be filed within the District.

*Section 37-61-19*, "It shall be the duty of the superintendents 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 following exceptions:

- The combined amended budget for fiscal year 2022 was included in the minute documentation; however, the combining amended budget was not included;
- One fund, Fund 1125 (1:1 Initiative), was unbudgeted for fiscal year 2022, totaling **(\$10,627)**; and
- The Board approved the original budget for fiscal year that included nine funds projecting a negative fund balance at year end;
  - USDA Fresh Fruit/Vegetables (2112) – **(\$31)**;
  - Title I, 1003(A) School Improvement (2213) – **(\$58,079)**;
  - School Improvement 1003g (2240) – **(\$150,766)**;
  - Title V Rural/Low Income Sch Program (2311) – **(\$32,214)**;
  - Cares Act ESSERF (2590) – **(\$10,742)**;
  - Equity in Distance Learning Fund (2592) – **(\$60)**;
  - Cares Act ESSERF-II (2594) – **(\$42,009)**;
  - Cares ESSER III – **(\$2,258)**; and
  - Homeless Grant (2814) – **(\$1,338)**.
- The Board approved the amended budget for fiscal year 2022 that included ten funds projecting a negative fund balance at year end;
  - Special Ed Local State (1130)- **(\$14,500)**;
  - Infrastructure and Improvements (1910)- **(\$12,288)**;
  - Extended School- ESY (2090) - **(\$40,967)**;
  - Summer Feeding 2021 (2131) - **(\$6,900)**;
  - Summer Feeding 2022 (2132) - **(\$9,994)**;
  - Title I-A Basic FYE 2003 (2211) - **(\$10,008)**;
  - Title I, 1003 (A) School Improvement (2213) - **(\$2,467)**;
  - Consolidated Costpool (2290) - **(\$4,752)**;
  - Cares Act ESSERF-II (2594) - **(\$65,974)**; and

- Vocational Salary (2711) - (\$6,071).

Failure to ensure the combining budget was spread upon the Board minutes and all funds were budgeted for resulted in a noncompliance with State Law. The actual fund balances at June 30, 2022 were not negative; however, the approval of the fund budget with 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 that will prevent 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. Also, the School District should ensure that all funds with actual expenditures are budgeted and spread upon the minutes.

**District's Response #1:** The District will ensure compliance by presenting and include both the combined and combining budgets in the Board minutes.

**District's Response #2:** The District will implement budgeting practices that will prevent negative fund balances from being presented to the School Board for approval.

**Repeat Finding:** No.

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**Finding 8:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Open Board Meetings, Access, and Maintenance of Board Minutes.

**Internal Control Deficiency:** Management is responsible for ensuring the assets of the District are safeguarded and transactions are properly documented and recorded in the District's Board Minutes. A critical deficiency of internal controls includes the minutes of the cabinet meetings or stakeholder's meetings, which were not kept in a bound book, nor were they available electronically upon request of the Public. Also, the District should ensure all cabinet meetings or stakeholder meetings are open to the public when actions are taken.

**Applicable State Law:** *Section 25-41-5(1)*, "All official meetings of any public body, unless otherwise provided in this chapter or in the Constitutions of the United States of America or the State of Mississippi, are declared to be public meetings and shall be open to the public at all times unless declared an executive session as provided in Section 25-41-7."

*Section 25-41-11(1)*, "Minutes shall be kept of all meetings of a public body, whether in open or executive session, showing the members present and absent; the date, time and place of the meeting; an accurate recording of any final actions taken at such meeting; and a record, by individual member, of any votes taken; and any other information that the public body requests be included or reflected in the minutes. The minutes shall be recorded within a reasonable time not to exceed thirty (30) days after recess or adjournment and shall be open to public inspection during regular business hours."

*Section 25-41-13*, "(1) Any public body which holds its meetings at such times and places and by such procedures as are specifically prescribed by statute shall continue to do so and no additional notice of such meetings shall be required except that:

(a) A notice of the place, date, hour, and subject matter of any recess meeting, adjourned meeting, interim meeting or any called special meeting shall be posted within one (1) hour after such meeting is called in a prominent place available to examination and inspection by the general public in the building in which the public body normally meets. A copy of the notice shall be made a part of the minutes or other permanent official records of the public body; and

(b) Except as otherwise provided by law, a notice of a called special meeting shall be posted to the public body's website, if the public body has a website and has the capability to update the website, not less than one (1) hour before the meeting. A copy of this notice shall be transmitted via email or facsimile not less than one (1) hour before

the meeting to any citizen and any publication, broadcast and digital media with a general circulation or coverage within the public body's jurisdiction, that has submitted in writing its interest to receive these notices. Any public body may, at its discretion, purge any list of publications, broadcasts or digital media that have requested to receive the notices once every twenty-four (24) months. After the purge, any publication, broadcast or digital media may resubmit in writing its interest to receive the notices. Nothing in this paragraph (b) shall add additional notice requirements for meetings of public bodies held in cases of emergencies. The provision of this paragraph (b) requiring notice to be posted on the public body's website shall not apply to municipalities with a population as determined by the latest federal decennial census of less than twenty-five thousand (25,000) inhabitants, and any county with less than fifty thousand (50,000) according to the latest federal decennial census *Section 25-61-1, Mississippi Code Annotated (1972)*, states, "This chapter shall be known and may be cited as the "Mississippi Public Records Act of 1983." It is the policy of the Legislature that public records must be available for inspection by any person unless otherwise provided by Chapter 453, Laws of 1996. Furthermore, providing access to public records is a duty of each public body and automation of public records must not erode the right of access to those records. As each agency increases its use of and dependence on electronic record keeping, each agency must ensure reasonable access to records electronically maintained, subject to the rules of records retention."

*Section 25-61-2*, "It is the policy of this state that public records shall be available for inspection by any person unless otherwise provided by this chapter; furthermore, providing access to public records is a duty of each public body and automation of public records must not erode the right of access to those records. As each public body increases its use of, and dependence on, electronic record keeping, each public body must ensure reasonable access to records electronically maintained, subject to records retention."

*Section 37-6-9*, "...Minutes shall be kept of all meetings of the school board showing (a) the members present and absent; (b) the date, time and place of the meeting; (c) an accurate recording of any final actions taken at such meeting; (d) a record by individual member of any votes taken at such meeting; and (e) any other information that the school board requests to be reflected in the minutes. Each member of the school board present shall either vote or abstain on every question upon which a vote is taken at such meeting. All action taken by a school board shall become official at the time it is taken."

**Finding Detail:** During the review of the District's Board minutes, the auditor noted the following exceptions:

- The District held cabinet meetings where actions were taken; however, these meetings were not open to the public nor a notice published on the District's website;
- Multiple Special-called Business Meetings were held; however, there was no copy of the notice included in the minutes;
- Official Board minutes were not available to the public or OSA auditors until **June 9, 2022** for all Board minutes. Auditors began their audit on **May 19, 2022**;
- No minutes were kept from the budget public hearings;
- Seventeen consent agendas were approved without including the items discussed;
- Three items were motioned and seconded by District employees;
- Sixteen claims dockets included the amount of the claims; however, they did not have the claim numbers;
- The claims dockets were not actually signed by the Superintendent/Board Member. The Executive Assistant utilized a stamp;
- Claim dockets were discussed during closed cabinet meetings. The approved action was presented at its Stakeholder's meeting as an approved action; and
- Approvals of claims printed offline were approved through email correspondence, and this documentation was not attached to the claim packet;

Failure to properly maintain the District's Board minutes, ensure access to the public and all meetings are open to the public resulted in a lack of transparency and noncompliance with State Law.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to assure all Board minutes are as required by State Law. This matter has been referred to the *Mississippi Ethics Commission*.

**District's Response:** The District has corrected this finding by strengthening controls and by ensuring board minutes are accessible to the public. All board meetings are open to the public as required by state laws and regulations.

**Repeat Finding:** No.

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**Finding 9:** 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 reimbursements expenditures are correctly recorded, allowed, and documented, as required by the Department of Finance and Administration. Proper internal controls would include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms. Proper internal controls would include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms.

**Applicable State Law:** *Section 25-3-41(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:

- One travel voucher did not have an authorized signature for reimbursement;
- The Executive Director attended a conference for purchasing and property agents; however, he/she was not bonded for both positions within the Board's policy;
- One meal reimbursement was not broken down by actual prices;
- Actual receipts were not provided for three travel vouchers; and
- One travel reimbursement where corroborating evidence was not maintained for the purpose of the travel.

Failure to have adequate controls surrounding the District's reimbursements could result in waste, fraud, and abuse of public funds, and resulted 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.

**District's Response:** The District will strengthen internal controls to ensure the expense reimbursements comply with the board policy and state statutes. The district will also ensure compliance with state laws to ensure the correct mileage rate is reimbursed to district employees when traveling in private vehicles.

**Repeat Finding:** No.

**Finding 10:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Credit Card Usage.

**Internal Control Deficiency:** Management is responsible for implementing proper internal controls surrounding the cash disbursement functions, maintaining and recording all credit card transactions into the general ledger.

**Applicable State Law:** *Section 39-5-9* and the Mississippi Department of Archives and History states that financial records should be retained five (5) years following submissions of all final financial reports on federal grant projects providing audit has been releases one (1) year. All financial records of school districts and local schools includes purchase orders, material invoices, receivable reports, receipt copies, etc.

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

*Mississippi Procurement Manual, Chapter 10, 10.112.04, Merchant-Specific Credit Card Minimum Requirements*, states, “Upon receipt of the monthly statement, the cardholder shall review all charges to assure accuracy, complete applicable dispute documents, reconcile the statement with copies of receipts and order logs, and approve and sign the statement... The appropriate agency official shall maintain a file with the statements and all applicable receipts and dispute documents.”

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

- Two credit card expenses were for staff professional development days; however, there were no sign-in sheets for those days;
- One credit card expense included room service was added to room, and purchase order was modified to include;
- One credit card expense was in excess of **\$5,000**; however, there were no bids or quotes obtained;
- The District did not maintain credit card receipts for seven fuel purchases; therefore, the auditor could not determine if the expenses were for District purposes;
- The Fuelman bus card was utilized three separate times to purchase unleaded gasoline rather than diesel, totaling **\$171**;
- One Fuelman statement was not maintained within the district;
- Two charge slips did not have evidence of a signature; and
- There was no evidence of an independent review of six credit card charges.

Failure to have adequate controls surrounding the District’s procurement card purchases could result in waste, fraud, and abuse of public funds, and resulted in noncompliance with State Law.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by implementing adequate policies and procedures its credit card usage, as required by state law and regulations.

**District’s Response:** The District will implement and enforce policies and procedures to strengthen controls concerning credit card usage. The School District will abide by the laws, rules, and regulations by DFA and the State of Mississippi.

**Repeat Finding:** No.

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**Finding 11:** The District Should Strengthen Internal Controls Regarding Activity/Athletic Fund Cash Receipts and Deposits.

**Internal Control Deficiency:** The *COSO* specifies that a satisfactory control environment is only effective when adequate control activities are 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 Administrative Guidance:** *MDEAMSD, Section B, Miscellaneous Issues, Subject E – Receipt Files*, provides: “All monies shall be receipted to the school district utilizing pre-numbered receipts (two parts) and be maintained in a bound book or ledger. Under no circumstance shall monies be deposited to any bank account without a proper receipting of such monies. Monies should be deposited to the bank timely (based on the district’s policy). Any documentation necessary to support the receipts shall be maintained on file. All receipts shall include date, received from, amount, account classification and signature of receiver, at a minimum. Electronic transfers of funds should also have receipts assigned for reporting purposes. Receipt files should be prepared and filed by month. These files should contain receipts filed in numerical order along with supporting documentation for each receipt.”

*MDEMASED, Section F, Activity Funds, Extracurricular Events*, provides: “The school board should develop and adopt a policy that establishes the amounts charged by the local schools for admission to extracurricular activity events. The policy should include football games, basketball games, baseball games and other similar extracurricular activity events. In the absence of a school board policy, the school principal does not have the authority to set admission charges for extracurricular activity events. Pre-numbered tickets, whether paper or electronically issued shall be used at all extracurricular events for which a fee is charged for admission, and it is anticipated that the event will generate gross receipts of more than \$100. The school board must adopt a policy regarding the use of and accounting for pre-numbered tickets. The policy must contain procedures designed to provide adequate controls to ensure compliance with board policy. The principal will be required to account for all tickets by completing a School Event Receipt Form (page F-14 of this section).”

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

- Admission fees for extracurricular events were not approved;
- Transmittal sheets were not completed at the school level;
- One instance where the school failed to complete a receipt for a basketball game;
- The principal failed to sign all the game forms as required; and
- Cap and Gown monies were collected throughout the year; however, the collected total of **\$8,201** was not deposited in until **March 31, 2022**.

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

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by assuring all activity/athletic fund revenue is properly safeguarded, adequately recognized, and recorded, as required by State Law.

**District’s Response:** The District will strengthen controls and enforce policies and procedures to ensure receipts from all activities are safeguarded, adequately recognized and recorded.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 12:** The District Should Ensure Compliance with State Law Regarding Contractor Ethics.

**Applicable State Law:** *Section 25-4-105(3)(a)*, prohibits all public servants of a school district from having a “material financial interest” in a business which is a contractor, subcontractor, or vendor the school district. The term “material financial interest” is defined very broadly as “a personal and pecuniary interest direct or indirect, accruing to a public servant or spouse, either individually or in combination with each other.

**Applicable Administrative Decisions and Guidance:** *Mississippi Ethics Opinion 14-008-E*, provides that a District employee is not allowed to serves as a contractor to his or her own School District, in there is a direct or indirect financial interest.

**Finding Detail:** During the review of the District’s related party memos, the auditor noted the School District contracted with the business of connected to Director of Federal Programs in the amount totaling **\$800**. Per the Mississippi Secretary of State, the Director of Federal Programs is the secretary for the vendor.

Failure to ensure District employees do not have direct nor indirect interest of any of its contractor resulted in a noncompliance with state law.

**Recommendation:** We recommend the District ensure compliance by ensuring that its employees do not have a direct or indirect interest in any contractors doing business with the District, as required by State Law and regulations. This matter has been referred to the *Mississippi Ethics Commission*.

**District’s Response:** The District will no longer utilize entities in which employees of the School District can obtain any pecuniary benefits.

**Repeat Finding:** No.

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**Finding 13:** The District Should Ensure Compliance with State Law Regarding Financial Reports.

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

**Applicable Administrative Guidance:** *Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board* provides 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 District’s Board minutes, the auditor noted there was no evidence of the 2022 fiscal year monthly financial reports being presented to the Superintendent/Board nor being spread upon the Board minutes.

Failure to comply with the financial reporting requirements resulted in noncompliance with State Law. Additionally, not presenting this information to the Board could lead to the School Board not being appropriately and timely informed of the School District’s financial status, which would influence decisions made by the Board concerning claims.



**Recommendation:** We recommend the District ensure compliance by assuring all monthly financial reports are submitted to the Superintendent/Board monthly and spread upon its minutes, as required by State Law.

**District's Response:** The District has already ensured compliance by assuring all monthly financial reports are submitted to the Superintendent/Board monthly, as required by state law.

**Repeat Finding:** No.

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**Finding 14:** The District Should Ensure Compliance with State Law Regarding the Approval of Depositories.

**Applicable State Law:** *Section 37-7-333*, requires all public funds to be place in the depository or depositories selected by the School Board in the same manner as provided in *Section 27-105-305, Mississippi Code Annotated (1972)* for the selection of county depositories. *Section 37-7-333, Mississippi Code Annotated (1972)*, also requires the bids of the financial institutions keeping school funds be effective on July 1<sup>st</sup> of each year. Further, School Boards are allowed to advertise and accept bids for depositories, not less than once every three (3) years, when the School Board determines that I can obtain a more favorable rate of interest and less administrative processing.

**Finding Detail:** During the review of the District's depositories, the auditor noted the Bank of Yazoo was selected on June 8, 2020; however, the minutes do not reflect the Superintendent's selection and only states the discussion and approval of a business item.

Failure to ensure that the District's depository was properly approved, and this approval was spread upon the Board's minutes resulted in noncompliance with State :aw.

**Recommendation:** We recommend the District ensure compliance by properly accepting bids for depositories by July 1<sup>st</sup> every three years, and this approval is detailed and spread upon the Board's minutes, as required by State Law.

**District's Response:** The District will ensure compliance by properly accepting bids for depositories by July 1<sup>st</sup> every three years, as required by state law.

**Repeat Finding:** No.

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**Finding 15:** The District Should Ensure Compliance with State Law Regarding Purchasing and Expenditure Coding.

**Applicable State Law:** *Section 31-7-13 (b)*, "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 ... "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."

*Section 37-9-18(3)(b)*, "When conducting an audit of public school district, the State Auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing correct and appropriate functional level expenditure codes in expenditures by the school district... Based upon the audit report, the State Auditor shall compile a report on the compliance and noncompliance by all public school districts with correct and appropriate coding at the function level, which report must be submitted to the Chairmen of the Education and Appropriations Committees of the House of Representatives and Senate."

**Applicable Administrative Decisions and Guidance:** *Mississippi Attorney General Opinion 2016 WL 4419920*, provides that a governing authority may not approve a claim without complying with the central purchasing system statues, which include the requirement of a purchase order before the services are rendered. A claim cannot be amended by the governing authority and made legal with the issuance of a purchase order, requisition, and receiving report after the fact. Therefore,

the governing authority may not legally pay the claim of a restocking fee submitted by the vendor because of the lack of compliance with central purchasing statutes.

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

- Two expenditures were not properly coded;
- Two quotes/bids for painting from two separate vendors were not comparable. The quotes/bids were not broken down by components; and
- The School District purchased computers from CDW Government that were no longer available and on back order; however, the Technology Department realized later the computers received from the vendor were not the same within its original order. On February 14, the District paid **\$8,313** restock fee to return these computers to the vendor.

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

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

**District's Response:** The District will ensure compliance by assuring all proper purchase procedures and expenditure coding are being followed and monitored, as required by state law.

**Repeat Finding:** No.

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**Finding 16:** The District Should Ensure Compliance with State Law Regarding the Ad Valorem Tax Request Publication 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 37-57-107, Mississippi Code Annotated (1972)*, states, "Taxes levied for school district purposes pursuant to *Sections 37-57-105 and 37-57-1* shall not exceed the aggregate receipts from those sources during any one (1) of the immediately preceding three (3) fiscal years."

**Finding Detail:** During the review of the District's ad valorem tax request, the auditor noted the following exceptions:

- The School District failed to include the title and included the previous fiscal year instead of current fiscal year; and
- The School District received more ad valorem taxes and homestead exemption reimbursements than the amount allowed by *37-57-107, Mississippi Code Annotated (1972)*. This excess is the result of the School District receiving more tax revenue from the County than the School District's base amount.

The miscalculation resulted in an excess collected during 2021-2022 years totaling **\$230,174** and resulted in noncompliance with State Law.

**Recommendation:** We recommend the 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 District escrow the excess noted, totaling **\$230,174**.

**District's Response:** The District will ensure compliance by implementing adequate policies and procedures to ensure the limitations of ad valorem taxes and homestead exemption reimbursements are met, as required by state law.

**Repeat Finding:** No.

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**Finding 17:** 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 paragraph 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 the District's Unemployment Compensation Fund's account balance was **\$18,959** less than the limitations required by the aforementioned statute.

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 assuring adequate monies are deposited in the Unemployment Compensation Fund, as required by State Law.

**District's Response:** The District will ensure compliance by assuring adequate funds are deposited into the Unemployment Compensation Fund, as required.

**Repeat Finding:** No.

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**Finding 18:** The District Should Ensure Compliance with State Law Regarding District – Owned Building Use.

**Applicable State Law:** *Sections 37-7-473 through 37-7-487*, provide for the "Disposition of Property not Needed for School Purposes; Additional Method."

**Applicable Administrative Decisions and Guidance:** *MS AG Op.*, Smith (November 30, 2015). "...*Miss. Code. Ann. Section 37-7-473* (as amended) (emphasis added). The entities to whom unused school property can be sold include any association, club or corporation if the use includes one of the specifically designated purposes or if the use will enhance property values within the district or the use is for a similar or related purpose to others listed in the statute. Although the proposed lease of the unused property for a volunteer fire department would appear to likely enhance property values or be a similar or related use to the other types listed in the statute, the finding is a factual determination that cannot be made by this office and should be made in the first instance by the Trustees.

Assuming the Trustees make this determination, there are other statutory requirements that must also be met. *Section 37-7-471*, likewise, requires various factual determinations and findings to be made by the Trustees. Under this statute and the facts as set out in your letter, *Section 37-7-471(a)* would require that the Trustees determine and find that the “school building, land, property or other school facility is no longer needed for school or related purposes and is not to be used in the operation of the schools of the district.” Under subsection (b), the Trustees would need to find “[t]hat the sale of the property in the manner otherwise provided by law is not necessary or desirable for the financial welfare of the school district.” Subsection (c) requires that the Trustees find “[t]hat the use of the school building, land, property or other school facility for the purpose for which it is to be ... leased will promote and foster the development and improvement of the community in which it is located and the civic, social, educational, cultural, moral, economic or industrial welfare thereof.”

\*2 Assuming these findings are appropriately made, the Trustees can, in their “discretion”, determine the “terms and conditions” of the sale including the “*consideration, nominal or otherwise*” that the Trustees “deem proper.” *Miss. Code Ann. Section 37-7-471(c)*. In determining proper terms, conditions and considerations, the statute requires the Trustees to do so “in consideration of the benefits which will inure to the school district or the community in which the school ... property ... is located by the use thereof for the purpose for which it is ...” leased. Obviously, all of these required determinations and findings are factual issues which must be decided by the Trustees. *Section 37-7-477* additionally requires that the lease must contain a provision that title to the property “automatically revert to the school district, if such property shall cease to be used for the purpose for which it is ... leased.”

**Finding Detail:** During the review of the District’s building use, the auditor noted the following exceptions:

- The Boys and Girls Club utilizes a junior high building rent-free; however, the District and Boys and Girls Club do not have a lease agreement on file within the School District;
- The City of Yazoo City rents the auditorium within the junior high building rent-free for funerals to members of the community;
- The District, Boys and Girls Club, and City of Yazoo City do not have lease agreements on file nor Board approval; and
- The District pays the insurance within the building.

The District failed to comply with State Law regarding the disposition of property not needed for school purposes.

**Recommendation:** We recommend the District ensure compliance by entering into lease agreements for all District – owned buildings utilized by entities other than the District, as required by State Law. Also, these lease agreements should be Board approved and kept on file within the District.

**District’s Response:** The District was able to locate a lease agreement for the use of the Annie Ellis School for the Head Start Program. No other agreements have been located at this time. However, the District will ensure lease agreements are entered into and are board approved for the utilization of District owned buildings, as required by state laws and regulations.

**Repeat Finding:** No.

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**Finding 19:** The District Should Ensure Compliance with State Law Regarding Sixteenth Section Land Appraisals.

**Applicable State Law:** *Section 29-3-65*, “One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the Board of Education shall appoint a competent appraiser to appraise the land and report to the Board his recommendation for the fair market rental amount. The Board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*.”

**Finding Detail:** During the review of the District's sixteenth section leases, the auditor noted that two lease agreements had no appraisal on file to verify appraisals were completed prior to entering into new lease agreements.

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

**Recommendation:** We recommend the District ensure compliance by assuring an appraiser is appointed one year before to the rental of sixteenth section land and the appraisal is kept on file within the District, as required by State Law.

**District's Response:** The District will ensure appraisals for required leases will be maintained as required.

**Repeat Finding:** No.

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**Finding 20:** 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, Mississippi Code Annotated (1972).*"

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

- The December 2020 educable child letter was emailed to Yazoo County School District on May 10, 2021 and the December 2021 letter on June 17, 2022. These educable child lists did not include the following sections shared with Yazoo County School District: **16-10N-2W, 16-10N-3W, 16-10N-4W, 16-11N-3W, 16-11N-4W, 16-12N-1W, and 16-12N-4W**; and
- The educable child lists for December 2020 and 2021 was not sent to Holmes County School District for **Section 16-13N-1E**.

Failure to file educable child lists with the custodial district could result in forfeiting funds that the School District would otherwise be entitled to, and resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring all educable child lists are accurately prepared and filed with the Superintendents of custodial districts by December 31<sup>st</sup> of each year, as required by State Law.

**District's Response:** The District will implement controls, policies, and procedures to ensure the educable child lists are prepared and filed with the Superintendents of custodial districts by December 31<sup>st</sup> of each year to ensure the District receives all entitled funds, in accordance with *Section 29-3-121, Mississippi Code Annotated (1972)*.

**Repeat Finding:** No.

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**Finding 21:** The District Should Ensure Compliance with State Law Regarding the Annual Sixteenth Section School Trust Land Report.

**Applicable State Law:** *Section 29-1-3(3)*, “Any state, county or municipal official shall supply annually to the state land commissioner such sixteenth section management information as shall be requested by the commissioner. Such information shall include, but not be limited to, the following items pertaining to all new leases, rights of way, easements and sales of school trust lands: the number of acres in each parcel; the consideration paid for each transaction; the length and expiration of each lease, easement, or right of way; and the use to be made of each parcel. The applicable public official shall likewise report information requested by the state land commissioner upon principal fund investments. Such information shall include, but not be limited to, the following items: amounts of monies invested; dates of investment; where invested; form of investment; rate of return of each investment; and the amount of revenue earned upon each investment.”

**Finding Detail:** During the review of the District’s Sixteenth Section School Trust Land Report, the auditor noted the District did not file the 2022 report with the Mississippi Secretary of State (SOS)’s Office until January 26, 2023.

Failure to file the Sixteenth Section School Trust Land Report to the SOS’s office by September 30, 2022 resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring the District’s Sixteenth Section School Trust Land Report is filed with the Mississippi Secretary of State by the specified due date, as required by State Law.

**District’s Response:** The District will ensure the District’s Sixteenth Section School Trust Land Report is filed with the Mississippi Secretary of State’s Office by the specified date, as required.

**Repeat Finding:** No.

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**Finding 22:** The District Should Ensure Compliance with State Law Regarding the Education Enhancement Fund (EEF) Pledge.

**Applicable State Law:** *Section 37-61-33(2)(d)*, “As a pledge to pay all or a portion of the debt service on debt issued by the school district under *Sections 37-59-1 through 37-59-45, 37-59-101 through 37-59-115, 37-7-351 through 37-7-359, 37-41-89 through 37-41-99, 37-7-301, 37-7-302 and 37-41-81*, or debt issued by boards of supervisors for agricultural high schools pursuant to *Section 37-27-65*, if such pledge is accomplished pursuant to a written contract or resolution approved and spread upon the minutes of an official meeting of the district’s school board or board of supervisors. The annual grant to such district in any subsequent year during the term of the resolution or contract shall not be reduced below an amount equal to the district’s grant amount for the year in which the contract or resolution was adopted.”

**Finding Detail:** During the review of the District’s EEF, the auditor noted the School District’s EEF pledge to pay debt was not spread upon the Board minutes of an official Board meeting.

Failure to spread the School District’s pledge of its Education Enhancement Fund to pay debt upon the Board’s minutes resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring all EEF pledges to pay debt are spread upon the Board minutes of an official meeting, as required by State Law.

**District’s Response:** The District will ensure the Education Enhancement Fund pledge is spread upon the minutes of an official meeting.

**Repeat Finding:** No.

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**Finding 23:** The District Should Ensure Compliance with State Law Regarding Certified Employees Contracts and Criminal Background Checks.

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

*Section 37-19-7*, “The allowance in the Mississippi Adequate Education Program for teachers’ salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers’ salaries as provided in this subsection.”

*Section 37-9-33*, “In employing and contracting with appointed superintendents, principals, and certified employees, the school board shall in all cases determine whether the amount of salary to be paid such superintendent, principal, and certified employees is in compliance with the provisions of the adequate education program. No contracts shall be entered into where the salary of a superintendent, principal, or certified employee is to be paid, in whole or in part, from adequate education program funds except where the reimbursements of said chapter as to the amount of salary are fully met... The allowance in the Mississippi Adequate Education Program for teachers’ salaries in each county and separate school district shall be determined and paid in accordance with the scale for teachers’ salaries as provided in this subsection.”

**Finding Detail:** During the review of the District’s certified employees, the auditor noted the following exceptions:

- One employee’s fingerprints were not in their personnel file; and
- One employee was paid at a higher step scale than the years of experience noted nor was the salary increase approved by the Board and spread across its minutes resulting in an overpayment of **\$10,853**.

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

**Recommendation:** We recommend the District ensure compliance by assuring all salaries are paid according to the appropriate salary scales and that fingerprints are maintained, as required by State Law.

**District’s Response:** The District will ensure compliance by assuring all salaries are paid according to the appropriate salary scales and by assuring fingerprints are maintained.

**Repeat Finding:** No.

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**Finding 24:** The District Should Ensure Compliance with State Law Regarding District – Owned Vehicles.

**Applicable State Law:** *Section 25-1-87*, “All motor vehicles owned or leased by the State of Mississippi or any agency, department or political subdivision thereof, which shall include counties and municipalities, is support wholly or in part by public taxes or by appropriation from public funds, shall have painted on both sides in letter at least three (3) inches in height, and on the rear in letters not less than one and one-half (1 ½) inches in height, the name of the state agency or department, or political subdivision, which shall include counties and municipalities, in color which is in contrast with the color of the vehicle; provided however, that a permanent decal may be used in lieu of paint, and provided further,... No privilege license tag shall be issued for such vehicle until the name has been painted thereon or a permanent design or decal affixed thereto as required by this section. A permanent decal may be used in lieu of paint.”

**Finding Detail:** During the review of the District’s vehicles, the auditor noted the following three vehicles were not marked:

- One Grey Dodge Durango; and
- Two White Ford vans.

Failure to ensure all District – owned vehicles are marked resulted in noncompliance with state law.

**Recommendation:** We recommend the District ensure compliance by assuring all of its vehicles are permanently marked, as required by State Law.

**District's Response:** The District will ensure all District vehicles are permanently marked, as required by state law.

**Repeat Finding:** No.

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**Finding 25:** The District Should Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees.

**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, the auditor noted the following exceptions:

- Three retirees were paid more than the salary allowed by PERS, totaling **\$4,781**;
- The District did not have evidence of completing and submitting PERS Form 4Bs for two retirees;
- One retiree was reemployed prior to the 90 – day requirement;
- One retiree did not have a letter from PERS stating that the employee is an Independent Contractor; and
- One retiree did not have the Determination Questionnaire completed and submitted.

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

**Recommendation:** We recommend the District ensure compliance by implementing adequate internal controls to ensure rehired retirees are properly paid, and all PERS Form 4Bs are properly completed and submitted to PERS, as required by State Law.

**District's Response:** The District will implement controls to ensure the Payroll Clerk complies with *Section 25-11-127(4)* and PERS by properly paying employees and by completing and filing Form 4B for all reemployed retirees within five days of reemployment.

**Repeat Finding:** No.

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**Finding 26:** The District Should Ensure Compliance with State Law Regarding Bereavement Leave.

**Applicable Administrative Decisions and Guidance:** *MS AG Op.*, Turner at \*1 1 (February 24, 2022) states in part, "...The District's school board may not create a new category of bereavement leave. The statute as amended in 2019 does not create a specific type of leave for bereavement but instead provides an exception to the rule disallowing personal leave on specific days during the school year... The maximum number of allowable personal leave days and sick days is calculated based upon an individual's years of continuous service as specified in *Sections 25-3-93* and *25-3-95*. The three bereavement days referred to in *Section 37-7-307(3)(b)(iv)* are not additional days of leave or a new category of leave. Instead, they are exceptions to the statutorily imposed restrictions on the three types of days of the school term on which personal leave may not be taken."

**Finding Detail:** During the review of the District's Board Policies, the auditor noted the Board Policy on bereavement leave allows the District to pay its employees for three days for bereavement and pays the employees two additional days if long-distance travel is involved or there are extenuating circumstances. The extenuating circumstances are reviewed and determined by a committee and granted on a case-by-case basis.

Failure to ensure all employees are only allowed three days for bereavement resulted in noncompliance with State Law.

**Recommendation:** We recommend that the District ensure compliance by assuring that employees are only allowed three days of bereavement leave, as required by State Law.

**District's Response:** The District has implemented policies and procedures to ensure compliance with state laws. The bereavement leave policy is no longer in effect.

**Repeat Finding:** No.

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**Finding 27:** 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(1)*, "The bonds of all public officers required to give individual bond shall be ... A new bond in the amount required by law shall be secured at the beginning of each new term of office or every four (4) years, whichever is less."

*Section 25-1-15(2)*, "The bonds of all public employees required to give individual bond shall be ... A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee."

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

- The following individuals acted as purchasing agents; however, the District's Board policy does not designate these positions as purchasing agents:
  - Business Manager;
  - Executive Director of Administrative Services;

- The following individuals are covered by a verification certificate or indefinite bond, instead of an official bond:
  - Superintendent;
  - Executive Director of Business and Finance;
  - Executive Assistant/Project Coordinator;
  - Business Manager/Director of Finance;
  - Vocational Director;
  - One Purchasing Agent;
  - Three Principals;
- The following employees' bonds were not filed with the Chancery Clerk's office until April 8, 2022:
  - Business Manager; and
  - Vocational Director.
- Bonds were not filed with the Chancery Clerk's office:
  - Superintendent;
  - Executive Director Business and Finance;
  - Executive Assistant/Project Coordinator;
  - One Purchase Agent; and
  - Two Principals.
- The following 13 employees who handle cash were not bonded:
  - Eight Cafeteria Workers;
  - Three School Secretaries; and
  - Two Athletics;

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 correctly and sufficiently bond personnel and officials could limit the amount available for recovery in the event of fraud, theft, or misappropriation of public funds. Additionally, failure to file bonds with the Chancery Clerk's office in a timely manner resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by State Law. Additionally, the Board should ensure all bonds for employees and officials are filed with the Chancery Clerk's office in a timely manner.

**District's Response:** The District has already ensured compliance with state law by assuring all employees are properly and sufficiently bonded. The bonds are filed with the chancery clerk's office, as required.

**Repeat Finding:** No.

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## INSTANCE OF NONCOMPLIANCE WITH FEDERAL LAW

**Finding 28:** The District Should Ensure Compliance with Federal Law Regarding Children’s Internet Protection Act (CIPA).

**Applicable Federal Law:** *Children’s Internet Protection Act* states, “Schools and libraries subject to CIPA may not receive the discounts offered by the E-rate program unless they certify that they have an Internet safety policy that includes technology protection measures. The protection measures must block or filter Internet access to pictures that are: (a) obscene; (b) child pornography; or (c) harmful to minors (for computers that are accessed by minors). Before adopting this Internet safety policy, schools and libraries must provide reasonable notice and hold at least one public hearing or meeting to address the proposal...Schools and libraries subject to CIPA are required to adopt and implement an Internet safety policy addressing:

- Access by minors to inappropriate matter on the Internet;
- The safety and security of minors when using electronic mail, chat rooms and other forms of direct electronic communications;
- Unauthorized access, including so-called “hacking,” and other unlawful activities by minors online;
- Unauthorized disclosure, use, and dissemination of personal information regarding minors; and
- Measures restricting minors' access to materials harmful to them.”

**Finding Detail:** During the review of the District’s CIPA procedures, the auditor noted the District failed to provide documentation to support their claim that the School District educated minors about appropriate online behavior.

Failure to provide documentation on the education to minors regarding appropriate online behavior resulted in noncompliance with Federal Law.

**Recommendation:** We recommend the District ensure compliance implementing adequate policies and procedures to ensure minors are properly educated on online behavior, as required by Federal Law.

**District’s Response:** The District will ensure federal laws are followed by ensuring policies are in place and by ensuring the policies are followed.

**Repeat Finding:** No.

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**End of Report**