

# NEW ALBANY PUBLIC SCHOOL DISTRICT MISSISSIPPI

## COMPLIANCE REPORT

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### LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT

For the year ended *June 30, 2023*

**SHAD WHITE, CFE**  
State Auditor

**Charlotte L. Duckworth**  
Director, *Compliance Audit Division*





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

**August 8, 2024**

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

New Albany Public School District  
1112 Wesson Tate Drive  
New Albany, MS 38652

Dear New Albany Public School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the **New Albany Public School District** for the fiscal year **2023**. In these findings, the Auditor's Office recommends the **New Albany Public School District**:

1. Strengthen Internal Controls Regarding Bank Reconciliations;
2. Strengthen Internal Controls Regarding Activity Fund Receipts and Deposits;
3. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Reimbursements;
4. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Board Minutes;
5. Ensure Compliance with State Law Regarding Board Member Ethics and Nepotism;
6. Ensure Compliance with State Law Regarding Recommendation and Supervision of Relatives Within the First Degree;
7. Ensure Compliance with State Law Regarding Monthly Financial Reports;
8. Ensure Compliance with State Law Regarding Public Depositor's Annual Report;
9. Ensure Compliance with State Law Regarding Purchasing;
10. Ensure Compliance with State Law Regarding Fuelman Cards;
11. Ensure Compliance with State Law Regarding Budget Approvals and Procedures;
12. Ensure Compliance with State Law Regarding Credit Card Usage, Approval, and Justification of Merchant-Specific and Membership Club Cards;
13. Ensure Compliance with State Law Regarding Ratifying Checks Disbursed by Individuals Other than the Superintendent;
14. Ensure Compliance with State Law Regarding Certified Employees' Salaries and Maintaining Background Checks and MDE Certifications in Personnel Files; and
15. Ensure Compliance with State Law Regarding Surety Bonds.

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 our recommendations enable the **New Albany Public School District** to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "Charlotte L. Duckworth", is positioned above the printed name.

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 **New Albany Public School District** for the year ended **June 30, 2023**.

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 that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **SIGNIFICANT DEFICIENCIES**. We also identified other deficiencies that we have noted under the heading **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**.

Terms used in this Report.

OSA- *Office of the State Auditor*

AGO – *Attorney General's Office*

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

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

District – *New Albany School District*

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 Bank Reconciliations.

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

**Applicable Administrative Guidance:** *MDEAMSD, Section B, Miscellaneous Issues, Section G, Bank Depository Reconciliations*, "Bank reconciliations are an essential internal control tool and are necessary in preventing and detecting fraud. They also help identify accounting and bank errors by providing explanations of the differences between the accounting record's cash balances and the bank balance position per the bank statement. All bank statements shall be

reconciled within 30 days of receipt. Bank statements should be reconciled to the district's general ledger cash balances in a timely, accurate manner. The district should also ensure proper internal controls surrounding the completion and review of bank reconciliations. Each bank reconciliation should be signed (or initialed) and dated by the person completing and the person reviewing it. As required by State Board Policy, presentation of reconciled bank statements shall be made at the next regular board meeting after the bank statements are reconciled. In lieu of actual bank reconciliations, a certification from a designated individual listing all current district bank accounts by name, the specific time period covered, and a statement that the accounts have been reconciled is acceptable. Districts submitting a certification to the board should also submit a summary of the bank reconciliations. Full bank reconciliations should be available for review at the board meeting if requested. A copy of the certification and the summary should be made a part of the board minutes. Legal Reference: *Miss. Code Ann. §37-9-18.*"

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

- Five bank accounts did not have evidence of being properly reconciled within 30 days of receiving the District's bank statements; and
- Two bank accounts were not properly reconciled to the general ledger's cash balance resulting in a difference, totaling **\$8,854**:
  - District Maintenance – **(\$5,765)**; and
  - New Albany City Schools Payroll - **\$14,619**.

Failure to record all transactions in the general ledger and properly reconcile bank statements could result in the misstatement of the District's financial statements, errors, or fraud occurring without being detected in a timely manner.

**Recommendation:** We recommend the District strengthen internal controls by ensuring all transactions are properly recorded in the District's general ledger and all variances from book balances are accounted for in a timely manner. Also, we recommend the District reconcile bank accounts monthly to the general ledger by each fund in order to effectively and timely account for any variance from the District's book balances.

**District's Response:** New Albany School District developed a new transmittal form for activity funds to reflect the dates of monthly process. Also, detailed information is documented for outstanding items and all issues are being handled/cleaned up in the month.

**Repeat Finding:** No.

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**Finding 2:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Activity Fund Receipts and Deposits.

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

**Applicable Administrative Guidance:** *MDEAMSD, Section F, Activity Funds, General Financial Requirements – Reporting*, "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 District's activity fund revenue, the auditor noted the following exceptions:

- 12 ticket count sheets did not have beginning and/or ending ticket numbers;
- Seven transmittal forms were not dated when completed by the school principal or when received in Central Office; therefore, OSA could not determine if the forms were submitted within five days after month-end;
- Three transmittal forms did not have evidence of the principal's signature; and
- There was a net overage of **\$2,827** between deposits and ticket sales for both the varsity football and basketball home games.

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

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by implementing adequate policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

**District's Response:** We plan to provide training for all school office staff and administrators on Gate Receipts process and required paperwork.

**Repeat Finding:** No.

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## OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 3:** The School 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.

**School Board Policy:** *Section D, Policy Code DJD – Expense Reimbursements*, provides that the applicable maximum daily meal reimbursements will be allocated as follows:

Breakfast	\$ 7.00
Lunch	\$14.00
Dinner	<u>\$25.00</u>
Totals	\$46.00”

**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.”

*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:

- 11 meal reimbursements were paid at **\$64 - \$69** per day, which was in excess of Board policy and the Department of Finance and Administration (DFA) maximum daily limits;
- One travel voucher included meal expense for all School Board Members totaling **\$1,214**, which exceeded the maximum daily meal reimbursement Board Policy by **\$984**;
- Four travel reimbursements where corroborating evidence was not maintained; and
- One travel reimbursement was paid in excess of the mileage rate approved by *Board policy* and *DFA*.

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 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:** New Albany School District used *GSA* for all out of state travel reimbursements. We didn't realize that *DFA* had reimbursement rates we were to follow. We will follow *DFA*'s current guidance of using *GSA* for out of state travel reimbursement.

**Repeat Finding:** No.

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**Finding 4:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding 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 School District's board minutes. A critical aspect of internal controls includes numbering the board minute pages.

**Applicable State Law:** *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. All minutes of the school board shall be signed by the president of the board, shall be attested by the secretary of the board and shall be adopted by the board at the next regular meeting, or within thirty (30) working days, whichever occurs later."

*Section 25-41-13(1)(a)*, "(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."

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

- The minutes for fiscal year 2023 were not signed and dated by the board president and secretary;

- The Notice for the Special – Called Meetings were not spread upon the minutes; and
- The District utilizes OAgendas as its official minutes; however, it does not have the necessary controls to be considered the District's official minutes. This system should only be utilized to create and manage board packets, give access to information, and conduct meetings.

**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.

**District's Response:** New Albany School District uses OAgendas for Board meeting communication with Board Members. "Paper" Board minute books are up to date and available for review.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 5:** The District Should Ensure Compliance with State Law Regarding Board Member Ethics and Nepotism.

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

*Section 37-9-21*, "It shall be illegal for any superintendent, principal, or other 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, principals, or licensed employee who is related to him within the third degree by blood or marriage or who is dependent upon his in a financial way. Any contract entered into in violation of the provisions of this section shall be null and void."

**Applicable Administrative Decisions and Guidance:** *Mississippi Ethics Opinions 07-059-E and 14-050-E* provide that a Board must recuse himself or herself from any matter which would result in a pecuniary benefit to the child or in-law, even if they are financially independent.

*Mississippi Ethics Opinion 10-014E* provides that a Board Member should avoid participating in budget matters which do not directly affect the relatives but from which the relative may indirectly benefit. This opinion also provides the Board Member would not be required to recuse himself or herself from the approval of budgets where the relative is a licensed employee of the school district whose salary is set by the Mississippi Department of Education and the District has not supplemented that employee's salary, or provided other discretionary salary or benefits to the relative. When possible, a school board may separate the budget into parts and vote on parts separately, even when such separation is not necessary to maintain a quorum. The guiding requirement is that a board member must recuse from actions which would result in a monetary benefit to the board member's relative. Therefore, a school trustee who's financially independent child is employed by the school district as a certified teacher may vote on the adoption of a budget, provided that all local salary or other supplemental benefits are excluded from the budget as voted upon and acted upon separately by the other trustees, even when such separation is not so required to obtain a quorum. Additionally, the Board Member may not use his or her position to avoid a monetary detriment to his or her relative, such as termination or unpaid furlough. There should be a total and complete recusal the Board Member in matters of relatives described in *Mississippi Code Section 25-4-103(q)*. This action should be spread upon the district's minutes.

**Finding Detail:** During the review of the District's related party questionnaires and board minutes, the auditor noted the following exceptions:

- Two Board Members voted on the rehire of their daughter in-laws; and

- Three Board Members voted on the Amended Budget, Original Budget and Salary Schedule for fiscal year 2023 that included their daughter (certified teacher), son (certified teacher), and daughter-in-law (certified teacher).

Failure to ensure the Board Members recuse themselves from the vote of the rehire, salary schedules and budgets that include the salaries of relatives within the first degree resulted in a noncompliance with State Law and regulations. Additionally, failure to recuse themselves from the rehire of certified relatives within the first degree resulted in noncompliance.

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

**District's Response:** New Albany understood that "financial dependency" determined if a Board Member recused themselves from voting. During the audit, we learned that it is "first degree of separation" was also a factor. We will ensure compliance with the laws and regulations.

**Repeat Finding:** No.

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**Finding 6:** The District Should Ensure Compliance with State Law Regarding Recommendation and Supervision of Relatives Within the First Degree.

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

*Section 37-9-17(1)*, "The school board of any local school district shall be authorized to designate a personnel supervisor or another principal employed by the school district to recommend to the superintendent licensed employees or noninstructional employees; however, this authorization shall be restricted to no more than two (2) positions for each employment period for each school in the local school district. Any noninstructional employee employed upon the recommendation of a personnel supervisor or another principal employed by the local school district must have been employed by the local school district at the time the superintendent was elected or appointed to office; a noninstructional employee employed under this authorization may not be paid compensation in excess of the statewide average compensation for such noninstructional position with comparable experience, as established by the State Department of Education."

**Applicable Administrative Decisions and Guidance:** *Mississippi Ethics Opinion 10-077-E*, requires the school Board designates someone other than the Principal to make the employment recommendations of a spouse or child.

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

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

- One Principal recommended their spouse for rehire to the Superintendent for the 2023 school year; and
- One Principal is the direct supervisor of their spouse.

Failure to ensure that Principals do not recommend nor supervise relatives within the first degree resulted in the noncompliance with State Law and regulations.

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



**District's Response:** New Albany will work towards compliance in this area. We will create an additional layer of separation between spouses at the Middle School and the High School. The spouse is no longer coaching.

**Repeat Finding:** No.

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**Finding 7:** The District Should Ensure Compliance with State Law Regarding Monthly 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.

**Finding Detail:** During the review of the District's financial reports, the auditor noted that a complete set of monthly financial reports were not spread upon the official minutes for fiscal year 2023. The official Board minutes were behind two years upon the arrival of the OSA within the District.

Failure to comply with the financial reporting requirements resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring an accurate and complete set of financial reports are submitted to the Board each month and spread upon its minutes, as required by State Law.

**District's Response:** Monthly financial statements were uploaded in OAgendas, discussed, and approved at each board meeting. "Paper" Board minute books are up to date and available for review.

**Repeat Finding:** No.

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**Finding 8:** The District Should Ensure Compliance with State Law Regarding Public Depositor's Annual Report.

**Applicable State Law:** *Section 27-105-5(6)(b)*, "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 District's depositories, the auditor noted that 11 District bank deposit balances were not accurately reported to the State Treasurer's Office for fiscal-year end resulting in an understatement totaling \$2,334,328.

Failure to submit the Public Depositor Annual Report accurately could result in the State Treasurer's Office having inaccurate records and increase the risk that the District's total deposits may not be properly collateralized. Also, it resulted in noncompliance with state law.

**Recommendation:** We recommend the District ensure compliance by assuring the Public Depositor Annual Report is submitted accurately to the State Treasurer's Office within 30 days of fiscal-year end, as required by State Law.

**District's Response:** June 30, 2023 reconciled cash balances were submitted to the State Treasury Department instead of ending bank balances (which I agreed with). I have attached all reports that were submitted in a timely manner.

**Auditor's Note:** As stated in *Section 27-105-5(6)(b)*, the District's deposit balances at year-end should be submitted to the State Treasurer's office no later than 30 days of fiscal year end. Therefore, the reconciled book balances submitted to the State Treasurer's office did not meet the specified requirements of the State Law.

**Repeat Finding:** No.

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**Finding 9:** The District Should Ensure Compliance with State Law Regarding Purchasing.

**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 Seventy-five Thousand Dollars (\$75,000.00), 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... "The term "competitive written bid" shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor's letterhead or identifiable bid form and signed by authorized personnel representing the vendor. "Competitive" shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids. Any bid item for construction in excess of Five Thousand Dollars (\$5,000.00) shall be broken down by components to provide detail of component description and pricing. These details shall be submitted with the written bids and become part of the bid evaluation criteria. Bids may be submitted by facsimile, electronic mail or other generally accepted method of information distribution. Bids submitted by electronic transmission shall not require the signature of the vendor's representative unless required by agencies or governing authorities."

*Section 31-7-13(m)(viii)*, "Noncompetitive items available from one (1) source only. In connection with the purchase of noncompetitive items only available from one (1) source, a certification of the conditions and circumstances requiring the purchase shall be filed by the agency with the Department of Finance and Administration and by the governing authority with the board of the governing authority. Upon receipt of that certification the Department of Finance and Administration or the board of the governing authority, as the case may be, may, in writing, authorize the purchase, which authority shall be noted on the minutes of the body at the next regular meeting thereafter. In those situations, a governing authority is not required to obtain the approval of the Department of Finance and Administration. Following the purchase, the executive head of the state agency, or his designees, shall file with the Department of Finance and Administration, documentation of the purchase, including a description of the commodity purchased, the purchase price thereof and the source from whom it was purchased."

*Section 31-7-305(2)*, "All public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks no later than forty-five (45) days after receipt of the invoice and receipt, inspection and approval of the goods or services."

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

- Four sole-source purchases were neither board approved nor spread across its minutes;
- Three vendor purchases, totaling **\$18,382**, did not have two competitive quotes/bids; and
- One invoice was paid more than 45 days after being received within the District.

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 District ensure compliance by assuring all proper purchase procedures are being followed and monitored, as required by State Law.

**District's Response:** The District will strive to ensure all state purchasing laws are adhered to.

**Repeat Finding:** No.

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**Finding 10:** The District Should Ensure Compliance with State Law Regarding Fuelman Cards.

**School Board Policy:** *Section D, Fiscal Management, Policy Code DJD – Expense Reimbursements*, states, “...2. each mile traveled in the employees’ automobile will be reimbursed at the rate of 65.5 cents per mile determined by the school district not to exceed the approved federal mileage rate.”

**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.”

*Article 4, Section 96 of the Mississippi Constitution*, states, “The legislature shall never grant extra compensation, fee, or allowance, to any public officer, agent, servant, or contractor, after service rendered or contract made, nor authorize payment, or part payment, of any claim under any contract not authorized by law.”

**Applicable Administrative Decisions and Guidance:** *MS AG Op., Murray at \*1 (November 17, 2000)*. States in part: “We do not find authority for the board of a public university, community college, or school district to issue a credit card to an employee, such as an athletic coach, for use in the course and scope of duties of employment. We note that *Miss. Code Ann. Section 25-3-41* (Supp. 2000) sets forth procedures for authorization for travel expenses for employees of public universities, community colleges, and school districts...”

**Finding Detail:** During the review of the District’s fuel cards, the auditor noted the District’s Fuelman cards were being utilized by District employees to purchase gasoline in their personal vehicles totaling **\$41,780**:

- 2021 - \$ 4,853
- 2022 - \$ 17,158
- 2023 - \$ 16,364
- 2024 - \$ 3,405

Failure to ensure District employees are only reimbursed for travel based on the actual miles traveled in the performance of their duties within their private vehicles resulted in noncompliance State Law and Board policy.

**Recommendation:** We recommend the District ensure travel is reimbursed to District employees based on the actual miles traveled, as required by State Law and Board policy.

**District’s Response:** As of September 2023, when this issue was brought to our attention, all individual cards were deactivated, collected, and mileage books were given to “track” in-District travel.

**Repeat Finding:** No.

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**Finding 11:** The District Should Ensure Compliance with State Law Regarding Budget Approval and Procedures.

**Applicable State Law:** *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.

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

- The original combined and combining budgets for fiscal years 2022, 2023, and 2024, were not spread upon the Board minutes;
- The amended combined and combining budgets for fiscal years 2022, 2023, and 2024, were not spread upon the Board minutes; and
- There was no documentation spread upon the minutes of the Budget Public Hearings held on August 1, 2022, and August 7, 2023.

Failure to ensure all combined and combining budgets, and public hearings are spread upon the Board minutes resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring all Board approved budgets are spread upon its official minutes, as required by State Law.

**District's Response:** All budget hearings, monthly financial statements were uploaded and Board approval through OAgendas. "Paper" Board minutes book are up to date and available for review. New Albany School District will keep a "paper" Board book up to date and available at all times.

**Repeat Finding:** No.

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**Finding 12:** The District Should Ensure Compliance with State Law Regarding Credit Card Usage, Approval, and Justification of Merchant – Specific and Membership Club Cards.

**Applicable State Law:** *Section 31-7-9(b)*, "The Office of Purchasing, Travel and Fleet Management may adopt purchasing regulations governing the use of credit cards, procurement cards and purchasing club membership cards to be used by state agencies, governing authorities of counties and municipalities, school districts and the Chickasawhay Natural Gas District. Use of the cards shall be in strict compliance with the regulations promulgated by the office. Any amounts due on the cards shall incur interest charges as set forth in *Section 31-7-305* and shall not be considered debt."

**Applicable Administrative Guidance:** *Mississippi Procurement Manual, Chapter 10, 10.112.03, Merchant-Specific Credit Cards*, states, "Governing authorities desiring to obtain a merchant specific credit card shall submit to their governing board for approval, written justification for the need of a merchant specific credit card. Approval of such action shall be placed on the minutes of the board of the governing authority."

*Mississippi Procurement Manual, Chapter 10, 10.112.04, Merchant-Specific Credit Card Minimum Requirements*, 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"

*Mississippi Procurement Manual, Chapter 10, 10.112.05, Membership Club Cards*, states, "Membership card fee's such as Sam's club cards, are allowed but should be justified by the agency or governing authority to show that the anticipated savings using the card would exceed the cost of the card fee. This justification should be maintained on file with the government entity. Each subsequent year, the government entity shall document actual saving for the previous year which

substantiate the cost of the card. This would not mean documenting saving on each and every purchase but enough documentation to substantiate adequate saving to justify the expense of the card.”

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

- 14 procurement card expenditures could not be traced to a statement; therefore, OSA could not verify if purchasing laws were followed;
- Five procurement card expenditures did not have charge slips;
- Four instances where auditor was unable to verify the person signing the charge slip is authorized to sign, as they were not on the sign out/sign in sheet;
- There was no evidence of an independent review for one procurement charge by an approving official; and
- The Board did not approve the use and justification for the merchant – specific credit cards (Walmart, Amazon, and Lowes), and membership card (Sam’s), until June 29, 2023.

Failure to have adequate controls regarding the District’s procurement card purchases could result in waste, fraud, and abuse of public funds. Also, failure to approve the use and justification of the merchant–specific credit card and membership club cards resulted in a noncompliance with State Law and regulations.

**Recommendation:** We recommend the District ensure compliance by strengthening internal controls in obtaining, maintaining, and the usage of credit cards, as required by State Law and regulations.

**District’s Response:** We will strive to make sure that internal controls are adhered to. We did have Board Approval regarding Merchant Cards on June 29, 2023 for the 2023-2024 School Year.

**Repeat Finding:** No.

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**Finding 13:** The District Should Ensure Compliance with State Law Regarding Ratifying Checks Disbursed by Individuals Other than the Superintendent.

**Applicable State Law:** *Section 37-7-301(o)*, “To make orders directed to the superintendent of schools for the issuance of pay certificates for lawful purposes on any available funds of the district and to have full control of the receipt, distribution, allotment and disbursement of all funds provided for the support and operation of the schools of such school district whether such funds be derived from state appropriations, local ad valorem tax collections, or otherwise. The local school board shall be authorized and empowered to promulgate rules and regulations that specify the types of claims and set limits of the dollar amount for payment of claims by the superintendent of schools to be ratified by the board at the next regularly scheduled meeting after payment has been made.”

*Section 37-9-14(3)*, “All funds to the credit of a school district shall be paid out on pay certificates issued by the superintendent upon order of the school board of the school district properly entered upon the minutes thereof, and all such orders shall be supported by properly itemized invoices from the vendors covering the materials and supplies purchased.”

**Applicable Administrative Decision and Guidance:** *MS AG Op., Henderson (December 6, 2022)* provides that pay certificates may be issued by the Superintendent without prior approval of the school board on the payment of specific claims in accordance with exceptions noted within *Section 37-9-14(7)*, such as teacher’s salaries, salaries of drivers of publicly owned school buses, travel advances, amounts due private contractors or other obligations where the amount thereof has been previously approved by a contract or by an order of the school board entered upon its minutes, or by inclusion in the current fiscal year budget.

**Finding Detail:** During the review of the District's check disbursements, the auditor noted the Principals at each school location disbursed checks prior to the Board's approval. All disbursements were ratified by the School Board at the next monthly scheduled Board meeting.

Failure to ensure checks disbursed by Principals were Board approved prior to their disbursement 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 only the Superintendent disburses checks prior to Board approval, as required by State Law and regulations.

**District's Response:** We are working towards a plan/protocol that only the Superintendent signs a check that hasn't been board approved. All Principals have been notified and we are working together.

**Repeat Finding:** No.

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**Finding 14:** The District Should Ensure Compliance with State Law Regarding Certified Employees' Salaries and Maintaining Background Checks and MDE Certifications in Personnel Files.

**Applicable Administrative Guidance:** *MDEAMSD, Section B, Miscellaneous Issues, Personnel Files*, states, "There shall be individual personnel files in the school district central office, which include contracts, a copy of teacher certificates, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals." Additionally, all new hired licensed and non-licensed employees are required to have criminal records background and child abuse registry checks.

**Applicable State Law:** *Section 37-9-17(2)*, "Current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board 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 37-9-37*, "The amount of salary to be paid any superintendent, principal, or licensed employee shall be fixed by the school board, provided that the requirements of Chapter 19 of this title are met as to superintendents, principals, and licensed employees paid in whole or in part from minimum education program funds."

*Section 37-9-43*, "It shall be unlawful for any appointed superintendent, principal or licensed employee to be paid for any services as such until a written contract has been executed as is provided and required by this chapter. If any school district superintendent shall make any such payment prior to the execution of the contract he shall be civilly liable for the amount thereof, and, in addition, shall be liable upon his bond. If any licensed employee, appointed superintendent or principal shall willfully and without just cause breach his contract and abandon his employment he shall not be entitled to any further salary payments either for services rendered prior to such breach or for services which were thereafter to have been rendered. Nothing in this section, however, shall prevent the employment and payment of substitute teachers without a written contract."

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

- 20 employee contracts were not included in the educators' personnel files;
- Seven certified employees received additional supplements, totaling **\$3,010**; however, there was no evidence of supplemental contracts within their personnel files;

- Two certified employees' personnel files did not include a copy of their certification; and
- One certified employee did not have evidence of a background check documented within their personnel file.

Failure to have adequate internal controls, and proper procedures surrounding contracts and payroll resulted in noncompliance with State Law and regulations.

**Recommendation:** We recommend the District ensure compliance by assuring criminal background checks are obtained and maintained in employees' personnel files and that all contracts are properly executed before paying the salary of certified employees, as required by State Law.

**District's Response:** Standard protocols are in place to ensure all employees receive a background check and drug screen. From this point forward, we will strive to maintain personnel files to the standards. Supplemental contract and At-will will be issued for extracurricular payments to employees going forward.

**Repeat Finding:** No.

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**Finding 15:** The District Should Ensure Compliance with State Law Regarding Surety Bonds.

**School Board Policy:** *Section D, Fiscal Management, Policy Code DJEA, Purchasing Authority*, provides that the School Board designates the Assistant Superintendent, Business Manager, Director of Auxiliary Services, Director of Maintenance, and School Principals as Purchasing Agents.

**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."

**Applicable Administrative Decisions and Guidance:** *MS AG Op., Lamar, Jr., at \*1 and \*2 (February 26, 2016)*. States in part: "...\*1 *Section 25-1-15 of the Mississippi Code* provides for individual bonds or blanket bonds to be required by public officers. It does not specify which officers are required to obtain an individual bond as opposed to a blanket bond.

\*1 This office previously opined on blanket bonds provided in *25-1-15 (4)* in *MS AG Op., Meadows (January 24, 1997)*: "It is, therefore, the opinion of this office that, in the absence of a statute requiring an individual bond for a particular position, counties may purchase blanket bonds for public employees who are required to have bonds..."

"...\*2 It is the opinion of this office that there is no specific statutory requirement that a deputy circuit court clerk maintain an individual bond; and, therefore, the deputy clerk may be bonded through a county blanket bond at the discretion of the board of supervisors. *Section 9-7-123 (2)* simply provides that each deputy clerk of the circuit court give bond in the amount of not less than \$50,000.00 nor more than \$100,000. It should be noted that the blanket bond will list each position covered under the bond, including the deputy circuit court clerks covered."

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

- The District's Board policy designates the Business Manager and Director of Maintenance as Purchasing Agents; however, they are not bonded as such;
- The Director of Child Nutrition and Director of Professional and Support Services are bonded as Purchase Agents; however, the Board policy does not designate them as such;
- The District's blanket bond for employees that handle cash did not list the positions the bond covers; and

- The Board did not make a finding upon its minutes that employees working as gatekeepers and concessions workers handling of public funds is incidental to their job duties.

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

**Recommendation:** We recommend the District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by State Law and regulations.

**District's Response:** *Policy DJEA* has been revised on August 14, 2023. Bonds for gate workers and concessions were approved on October 3, 2023. Blanket Bond – Insurance company has been contacted to include Position titles going forward.

**Repeat Finding:** No.

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**End of Report**