



COMPLIANCE REPORT

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**

June 6, 2024

Limited Internal Control and Compliance Review Management Report

Richton School District
701 Elm Avenue
Richton, MS 39476

Dear Richton School Board:

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

1. Strengthen Internal Controls Regarding Investment Account Reconciliations;
2. Strengthen Internal Controls Regarding Activity/Athletic Fund Cash Receipts and Deposits;
3. Strengthen Internal Controls Regarding Segregation of Duties Surrounding Cash and Payroll Functions;
4. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Procedures and Approval;
5. Strengthen Internal Controls and Ensure Compliance with State Law Regarding District – Owned Residential Housing;
6. Ensure Compliance with State Law Regarding Director's 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 Procedures and School Bus Purchases;
10. Ensure Compliance with State Law Regarding Booster Club Fundraisers and School-Sponsored Events;
11. Ensure Compliance with State Law Regarding Statements of Economic Interest (SEIs);
12. Ensure Compliance with State Law Regarding Annual Sixteenth Section School Trust Land Report;
13. Ensure Compliance with State Law Regarding Certified Employees' Personnel Files, Salaries, and Supplemental Contracts;
14. Ensure Compliance with State Law Regarding Public Hearings; 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, 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 **Richton 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". The signature is fluid and cursive, with the first name "Charlotte" being the most prominent part.

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 **Richton 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 a *material weakness* in internal control and certain deficiencies in internal control that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **MATERIAL WEAKNESS** and **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 Law that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

Terms used in this Report.

OSA- *Office of the State Auditor*

AGO – *Attorney General's Office*

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 – *Richton School District*

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

Section – *Mississippi Code Annotated (1972)*

MATERIAL WEAKNESS

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

Internal Control Deficiency: An effective system of internal control over the recording of transactions for the District's investment trust accounts should include proper classification of revenues, expenditures/expenses, gains, and losses. Ultimately, management is responsible for accurately reporting year-end balances on its investments in the financial statements.

Finding Detail: Based on the review of the District's investment statements, the auditor noted that the difference in the year-end investment balance for Fund 4091 (QZAB) was not properly reconciled. The statement listed a year-end investment balance of **\$178,800**. However, the District reported an investment balance totaling **\$16,800** in its financial statements, which understated them by **\$163,000**.

Failure to reconcile and record transactions within general ledger from its investment accounts resulted in the incorrect investments balances, incorrect classification of revenues and expenditures/expenses, and misrepresentation of the School District's financial position. Furthermore, it could result in the misappropriation of loss of public funds.

Recommendation: We recommend the District strengthen internal controls by implementing an effective system that will ensure all transactions within the District's investment accounts are properly recorded in the District's financial statements at year-end.

District's Response: The District acknowledges this finding and we are working with our CPA on how to rectify this error.

Repeat Finding: No.

SIGNIFICANT DEFICIENCIES

Finding 2: 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 there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets are properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

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

- Ten deposit amounts were in excess of the ticket sales, totaling **\$37**; and
- One deposit amount was less than ticket sales, totaling **\$497**.

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

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

District's Response: The deposit reflecting **\$497** difference was not a case of missing or stolen funds. It was due to filling out the form incorrectly.

Repeat Finding: No.

Finding 3: The District Should Strengthen Internal Controls Regarding Segregation of Duties.

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

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

- The Business Manager records cash and reconciles bank accounts;
- The Business Manager makes general ledger entries and reviews the entries;

- The Business Manager prepares contracts, enters the pay scale into the system, and checks contract amounts against the salary scale and years of experience;
- The Business Manager reviews, verifies and adjusts payroll accounts; and
- The Accounts Payable Clerk receipts and deposits cash.

Failure to have adequate 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.

District's Response: The District acknowledges this finding and will work to improve internal controls. However, we are a very small district and each department runs with limited staff making it difficult to delegate duties.

Repeat Finding: No.

OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

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

Internal Control Deficiency: The Board of Education establishes priorities for the financial management of the School District, reviews and approves all presented budgets, and assures expenditures for the School District funds 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 37-61-19, "It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures form 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 **2022-2023** combined amended budget was not signed by the Board's president or secretary; and
- On August 8, 2022 the Board approved the **2022-2023** amended budget that included eight funds reflecting a negative fund balance at year-end:
 - Title I-A Basic Fund (2211) – **(\$277,400)**;
 - Title V Rural 7 low Income Program Fund (2311) – **(\$14,971)**;
 - ESSER II Fund (2594) – **(\$349,051)**;
 - ARP ESSER Fund (2598) – **(\$1,401,736)**;
 - IDEA PT B ARP Grant Fund (2599) – **(\$18,398)**;
 - IDEA Preschool ARP Grant Fund (2600) – **(\$2,912)**;
 - EHA Preschool Grant Fund (2620) – **(\$17,622)**; and
 - Title IV-A Safe/Drug Free Fund (2811) – **(\$36,036)**.

The actual fund balances at June 30, 2023 were not negative; however, the approval of the fund budgets with ending deficit fund balances could result in noncompliance with State Law. Additionally, failure to ensure the combined amended budgets are signed by the Board's president and secretary resulted in noncompliance.

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

District's Response: When preparing to submit our FETS file, all negative fund balances were corrected.

Repeat Finding: No.

Finding 5: The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding District – Owned Residential Housing.

Internal Control Deficiency: The Trustees of the School Board are responsible for ensuring the assets of the District are safeguarded at all times. The District's Board of Education may not lease its property for less than the fair market value to current employees. Setting rental payments less than the fair market value would constitute an unlawful donation.

Applicable Administrative Decisions and Guidance: *MS AG Op., Randolph * 1 (October 17, 1979)*, provides that: "...*1 This office is unaware of any procedure whereby a school district could allow the use of school-owned residential housing rent-free or for less than value."

*MS AG Op., Smith * 1 and *2 (November 30, 2015)*, provides in part, "...*1 School buildings, land, property and related facilities may be sold, conveyed, leased or otherwise disposed of under *Sections 37-7-471 through 37-7-483*, to any charter school, to any group of persons, to any association, club or corporation, or to any county, municipality or other political subdivision, to be used as a charter school facility, to be used as a civic, community, recreational or youth center, or to be used by any county or district fair association in connection with its activities, or to be used for church purposes, or to be used as a library or other public building, or to be used as a factory or otherwise in connection with an industrial enterprise, or to be used as part of a development activity to stimulate economic development activities within the district, or to enhance property values within the district, or to be used for any similar or related purpose or activity...

*1 ...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 residential housing, the auditor noted the District did not have evidence of an appraisal of the residential housing rented to its District employees; therefore, the auditor was unable to determine if the units were rented at or below fair market value.

Failure to ensure that the fair market value is obtained for the District's residential housing and the appraisals are kept on file within the District resulted in noncompliance with State Law.

Recommendation: We recommend the District strengthen internal controls and ensure compliance by assuring all residential housing is leased for no less than the fair market value and the appraisals are kept on file, as required by State Law.

District's Response: The District acknowledges this finding.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 6: The District Should Ensure Compliance with State Law Regarding Director's 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 10-067-E*, provides that no District employee should supervise a relative within the first degree. Therefore, Directors, Principals, or others within management should not have direct supervision of relatives within the first degree.

Finding Detail: During the review of the District's related party memos, the auditor noted the Food Service Director recommended and supervised their son, a cafeteria worker.

Failure to ensure the Food Service Director did not recommend and supervise relatives within the first degree resulted in noncompliance with State Law.

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

District's Response: Richton School District acknowledges this finding and moving forward, we will provide more training and information for administrators and other staff.

Repeat Finding: No.

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

Applicable State Law: *Section 37-9-18(1)(a)*, “The State Board of Education shall promulgate rules and regulations concerning the type of financial reports required to be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted.” Also, a copy of all required reports must be included in the official minutes of the board meeting in which the reports are 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* states, “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 financial reports, the auditor noted that a complete set of monthly financial reports were not presented to the School Board nor spread upon the Board minutes for fiscal year 2023.

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

Recommendation: We recommend the District ensure compliance by assuring a 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: We are now aware of an additional report to be included in the financial packet to the Board. Moving forward, this report will be included.

Repeat Finding: No.

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)*, “No 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 the District did not submit their report until August 17, 2023.

Failure to submit the Public Depositor Annual Report in a timely manner 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 to the State Treasurer’s Office within 30 days of fiscal year end, as required by State Law.

District’s Response: When the District became aware that the report was not submitted by the prior Business Manager, the steps were taken to complete and submit the report.

Repeat Finding: No.

Finding 9: The District Should Ensure Compliance with State Law Regarding Purchasing Procedures and School Bus Purchases.

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. Any state agency or community or junior college purchasing commodities or procuring construction pursuant to this paragraph (b) may authorize its purchasing agent, or his designee, to accept the lowest competitive written bid under Seventy-five Thousand Dollars (\$75,000.00). Any governing authority purchasing commodities pursuant to this paragraph (b) may authorize its purchasing agent, or his designee, with regard to governing authorities other than counties, or its purchase clerk, or his designee, with regard to counties, to accept the lowest and best competitive written bid. Such authorization shall be made in writing by the governing authority and shall be maintained on file in the primary office of the agency and recorded in the official minutes of the governing authority, as appropriate. The purchasing agent or the purchase clerk, or his designee, as the case may be, and not the governing authority, shall be liable for any penalties and/or damages as may be imposed by law for any act or omission of the purchasing agent or purchase clerk, or his designee, constituting a violation of law in accepting any bid without approval by the governing authority...”

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

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

- Two vendor purchases totaling **\$108,763** did not have two competitive quotes/bids; and
- The Board approved the purchase of one school bus totaling **\$102,913**; however, there was no evidence of approval from the Mississippi Department of Education.

Failure to follow proper purchasing procedures could result in fraud or misappropriation of public monies and resulted in noncompliance with state law. Also, failure to submit and obtain the approval of school bus purchases from the Mississippi Department of Education could result in school bus purchases not meeting the specifications required for the safety of the District’s pupils.

Recommendation: We recommend the District ensure compliance by assuring all proper purchase procedures are being followed and monitored, as required by State Law. Also, the District should ensure all school bus purchases have been approved by the Mississippi Department of Education.

District’s Response: The District acknowledges this finding.

Repeat Finding: No.

Finding 10: The District Should Ensure Compliance with State Law Regarding Statements of Economic Interest (SEIs).

Applicable State Law: *Section 25-4-25*, in part: “Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: (b) Members of local school boards that administer public funds, regardless of whether such members are elected or appointed.”

Section 25-4-29(2), “Any person who fails to file a statement of economic interest within thirty (30) days of the date the statement is due shall be deemed delinquent by the commission. The commission shall give written notice of the delinquency to the person by United States mail or by personal service of process. If within fifteen (15) days of receiving written notice of delinquency the delinquent filer has not filed the statement of economic interest, a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00), shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer’s county of residence. The commission may enforce the

judgment for the benefit of the State General Fund for the support of the Mississippi Adequate Education Program in the same manner as is prescribed for other civil judgments.”

Finding Detail: During the review of the District’s SEIs, the auditor noted four Board members did not file a Statement of Economic Interest by May 1, 2023.

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

Recommendation: We recommend the District ensure compliance by assuring all School Board members file their SEIs annually, no later than May 1st of each year that such official holds office, regardless of the duration, as required by State Law.

District’s Response: The Board has been advised on this matter and more thorough steps will be taken to prevent late submission in the future.

Repeat Finding: No.

Finding 11: The District Should Ensure Compliance with State Law Regarding Booster Club Fundraisers.

Applicable State Law: *Section 37-7-301(s)*, “...The term “activity funds” shall not include any funds raised and/or expended by any organization unless commingled in a bank account with existing activity funds, regardless of whether the funds were raised using school facilities. Organizations shall not be required to make any payment to any school for the use of any school facility if, in the discretion of the local school governing board, the organization’s function shall be deemed to be beneficial to the official or extracurricular programs of the school. For the purposes of this provision, the term “organization” shall not include any organization subject to the control of the local school governing board...”

Applicable Administrative Decisions and Guidance: *MS AG Op., Shuler * 1 (October 19, 1988)*, provides that: “...*1 If the organizations' funds are not commingled in a bank account with existing activity funds, it is the opinion of this office that the organizations' funds are private funds. Furthermore, if the school board in its discretion deems the organizations' function to be beneficial to official or extracurricular school programs, the organization shall not be required to make any payment to the school for the use of any school facility. Finally, the organizations' monies, so long as not commingled, are private funds and the local school board would have no responsibility for auditing or accounting such funds...”

School Board Policy: *Section E, Business Management, Code EBHA, Use of School Property*, states, “...The superintendent is directed to establish rules and regulations in support of this policy. The rules and regulations will require evidence of appropriate liability insurance coverage. The school district will not permit the use of school property or equipment by any person or organization that does not furnish evidence of insurance coverage...”

Finding Detail: During the review of the School District’s activity funds, the auditor noted there was a varsity basketball event sponsored by the Hardwood Club (School Basketball Booster Club). This event was held as a fundraiser to purchase uniforms for the District’s varsity basketball team. There was no evidence of the Superintendent’s approval for the use of the District’s facility nor evidence of required liability. Also, the Board did not make a finding upon its official minutes that the fundraiser sponsored by the Hardwood Club was beneficial to its extracurricular school program.

Failure to make a finding upon the Board minutes that the fundraiser was beneficial to its extracurricular school program resulted in noncompliance with State Law. Also, failure to ensure the organization presented evidence of insurance liability before the use of the District’s facility resulted in noncompliance with the District’s Board policy.

Recommendation: We recommend the District ensure compliance by assuring the School Board makes a finding upon its minutes that fundraisers held by its booster clubs are beneficial to its extracurricular program, as required by State Law.

Additionally, the District should ensure all organizations present evidence of liability insurance coverage prior to utilizing school property of the District, as required by its Board policy.

District's Response:

- For the 2024 – 2025 school year, the District will have the Booster Club tournament School Board approved prior to the event.
- The District will pay the officials to ensure timely payment, and the Booster Club will reimburse the District. A copy of the check will be kept for documentation in the business office.
- The Booster Club will be required to keep a record of the number of tickets sold and gate receipts, as proof of funds generated.
- The Booster Club will be required to present the revenue collected vs. total expenses incurred. The Superintendent will then present the information to the School Board and will be documented in the Board minutes.

Repeat Finding: No.

Finding 12: The District Should Ensure Compliance with State Law Regarding 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 its 2023 list of leases with the Mississippi Secretary of State' (SOS)'s Office until October 31, 2023; however, it was due on September 29, 2023.

Failure to file the Sixteenth Section School Trust Land Report to the SOS's Office timely resulted in noncompliance with State Law.

Recommendation: We recommend the District ensure compliance by assuring to submit their annual list of leases, Section School Trust Land Report, with the SOS's Office by the specified due date, as required by State Law.

District's Response: The portions of the report were submitted late but the final portion was submitted on time.

Repeat Finding: No.

Finding 13: The District Should Ensure Compliance with State Law Regarding Certified Employees' Personnel Files, Salaries, and Supplemental Contracts.

Applicable State Law: *Section 37-9-33(1)*, “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."

Applicable Administrative Decisions and Guidance: *MS AG Op., Massey * 1 (January 23, 1984)*, states, "...*1 It shall be unlawful for a superintendent, principal or teacher 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 county superintendent or municipal separate 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, the county superintendent shall be liable upon his bond.

*1 Therefore, it is our opinion that since teachers can only be paid pursuant to the written contract, they could not, under the circumstances you describe, receive pay for extra work which is not a part of their contract with the school district..."

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

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

- Two certified employees received additional supplements totaling **\$8,730**; however, there was no evidence of a supplemental contract within their personnel files;
- One certified employee was paid more than their contracted amount, totaling **\$2,050**; and
- One certified employee was paid less than their contracted amount, totaling **\$4,208**.

Recommendation: We recommend the District ensure compliance by assuring all salaries are paid according to the appropriate salary scales and all contracts are properly executed prior to paying salary of its employees, as required by State Law.

District's Response: The District acknowledges this finding and have taken steps to correct these errors in the future.

Repeat Finding: No.

Finding 14: The District Should Ensure Compliance with State Law Regarding Public Hearings.

Applicable State Law: *Section 37-61-9(3)*, "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. After final adoption of the budget, a synopsis of such budget in a form prescribed by the State Department of Audit shall be published in a newspaper having general circulation in the school district on a date different from the date on which the county or any municipality therein may publish its budget."

Finding Detail: During the review of the District's Board minutes, the auditor noted that a public hearing was held on the same day as the adoption of its original budget for fiscal year 2023.

Failure to ensure a public hearing was held at least one week prior to the adoption of the District's budget resulted in noncompliance with State Law.

Recommendation: We recommend the District ensure compliance by assuring a public hearing is held at least one week prior to the adoption of its budget, as required by State Law.

District's Response: Moving forward, the District will hold the budget hearing and adoption of the budget will be held on the different dates according to state law.

Repeat Finding: No.

Finding 15: 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 37-9-31, “All school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000), with sufficient surety.”

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

- 46 gatekeepers, two bookkeepers, and one cashier who collect public funds were not bonded. Also, the District did not make a finding upon its minutes that the cash collection was incidental to their employment, infrequent and immaterial, and that they do not require bonds; and
- The Elementary School Principal was not bonded for fiscal year 2023.

Failure to ensure all employees are correctly and sufficiently bonded 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.

District's Response: The District acknowledges this finding and has taken steps to correct this matter.

Repeat Finding: No.

End of Report