

COAHOMA COUNTY SCHOOL DISTRICT

MISSISSIPPI

COMPLIANCE REPORT

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT

For the year ended *June 30, 2022*

SHAD WHITE, CFE
State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*





STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

May 6, 2024

Limited Internal Control and Compliance Review Management Report

Coahoma County School District
1555 Lee Drive
Clarksdale, MS 39614

Dear Members of the Coahoma County School District:

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

1. Strengthen Internal Controls Regarding Segregation of Duties Surrounding Cash and the Control Environment;
2. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Bank Reconciliations;
3. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budgeting Procedures;
4. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Teacher Incentive Programs;
5. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Credit Card Usage and Approval;
6. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Expense Reimbursements;
7. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Sixteenth Section Leased Land;
8. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Activity Fund Cash Receipts and Deposits;
9. Ensure Compliance with State Law Regarding Board Member Ethics and Nepotism;
10. Ensure Compliance with State Law Regarding Assigning Additional Duties and Compensation;
11. Ensure Compliance with State Law Regarding Financial Reports;
12. Ensure Compliance with State Law Regarding Purchasing Procedures and Coding;
13. Ensure Compliance with State Law Regarding Monetary Incentives for Students and Parents;
14. Ensure Compliance with State Law Regarding Retroactive Pay;
15. Ensure Compliance with State Law Regarding Salary Scales, Contracts, Background Checks, and Educator Certifications;
16. Ensure Compliance with State Law Regarding PERS Reported Salaries;
17. Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees;
18. Ensure Compliance with State Law Regarding Board Minutes and Meetings;
19. Ensure Compliance with State Law Regarding Surety Bonds; and
20. Ensure Compliance with Federal Law Regarding District – Owned Vehicles.

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

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

I hope our recommendations enable the **Coahoma County School District** to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,



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 **Coahoma County School District** for the year ended **June 30, 2022**.

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

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

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

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

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

Terms used in this Report.

OSA- *Office of the State Auditor*

AGO – *Attorney General's Office*

DFA – *Mississippi Department of Finance Administration*

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

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

District – *Coahoma County School District*

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

Section – *Mississippi Code Annotated (1972)*

SIGNIFICANT DEFICIENCIES

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

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

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

- The Sixteenth Section Clerk/Accounts Payable Clerk is responsible for reconciling bank accounts, collecting cash, and recording cash;

- A list of money and checks received is not prepared by the person opening the mail;
- Receipt numbers were not listed on the deposit slips;
- Not all invoices were date stamped when received;
- Invoice support for the claims docket is only presented to the Board upon request; and
- Checks are not traced to support at the time of signing, only if there is a question about a specific invoice.

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

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

District's Response: The District's Business Office has employed an additional staff member to assume some responsibilities to help strengthen controls over separation of duties. We have been in the training stages; therefore, all the duties had not been completely disseminated at the time of audit.

Repeat Finding: No.

OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The District Should Strengthen Internal Controls and Ensure Compliance with State Law 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 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..."

Applicable Administrative Guidance: *Mississippi State Board of Education Policy Manual, Chapter 71, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board* provides: "...Presentation of reconciled bank statements should be made at the next regular board meeting after the bank statements are reconciled to the District's general ledger cash balances in a timely and accurate manner."

Finding Detail: During the testing of the District's bank reconciliations, the auditor noted the following two bank accounts were not properly reconciled to the District's general ledgers' cash balance resulting in a difference, totaling **(\$557,425)**:

- District Operational Funds – **(\$3,326)**; and
- Payroll Clearing – **(\$554,099)**.

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 it has adequate policies and procedures to ensure all bank statements are properly reconciled to the District's general ledger. Also, we recommend management 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: The District will make sure that bank statements are reconciled properly.

Repeat Finding: No.

Finding 3: The District Should Strengthen Controls and Ensure Compliance with State Law Regarding Budgeting Procedures.

Internal Control Deficiency: The Board of Education establishes priorities for the financial management of the District, reviews and approves all budgets, and ensures expenditures for the District's funds are within the legal requirement of the approved budget.

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 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 week prior to the adoption of the budget with advance notice. Additionally, the combined budget and combining budgets for each fund type are reflected in the board minutes or an addendum to the board minutes. Both should be signed by both the Board's president and secretary. Signed copy should be filed within the District.

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

Applicable Administrative Guidance: *MDEAMSD, Section E, Budgeting* provides: "The budget formats which follow are to be prepared by each school district in formalizing its annual budget. These formats are prescribed by the Office of the State Auditor. A separate budget is required for each individual fund within each generic fund type, with the exception of Trust Funds. The approved combined budget and combining budgets for each fund type are to be reflected in the board minutes or an addendum to the board minutes. The original and amended budgets shall be signed and dated by the board president and secretary. Signed copies of all approved budgets must be filed for safekeeping and audit review."

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

- The approval of the original and amended combined and combining 2021-2022 budgets were not spread upon the Board minutes;
- The approval of the amended combined and combining 2020-2021 budget was not spread upon the Board minutes;
- The District's actual expenditures for the following funds for fiscal year 2022 exceeded the budgeted expenditures in the combined amount of **\$1,220,757**:
 - Fund 1153 (FPES Activity) **\$531**;
 - Fund 1840 (Sixteenth Section Interest) **\$63,333**;
 - Fund 2131 (Summer Feeding – FY21) **\$773,016**;
 - Fund 2290 (Federal – Cost Pool) **\$35,048**; and
 - Fund 4021 (Three Mill Debt Retirement) **\$348,829**.
- Fund 2820 (Employment Compensation) did not have budgeted expenditures for fiscal year 2022;

- The amended combined and combining budgets for fiscal year 2022 did not match. The total expenditures for the combining budgets were understated **\$1,515,029**, when compared to the total expenses on the combined budget. The fund balances for the combining budget were understated **\$6,669,757**, when compared to the fund balance on the combined budget;
- The Board approved the original budget for fiscal year 2022 that included eighteen (18) funds projecting a negative fund balance at year end;
 - CCHS Activity - Regular (1151) – **(\$2,404)**;
 - LES Activity Funds (1156) – **(\$387)**;
 - Child Nutrition (2110) – **(\$813,896)**;
 - Fruit & Vegetable Grant (2112) – **(\$2,381)**;
 - Summer Feeding – FY21 (2131) – **(\$259,889)**;
 - School Improvement 1003(A) (2213) – **(\$234,030)**;
 - Federal – Cost Pool (2290) – **(\$455,820)**;
 - Title V Rural and Low Income (2311) – **(\$35,102)**;
 - Title II Imp Teacher Quality (2511) – **(\$85,045)**;
 - ESSERF (2590) – **(\$464,299)**;
 - EDLA (2592) – **(\$172,631)**;
 - HB 1788 (2593) – **(\$145,644)**;
 - Title IV Safe/Drug-Free Schools (2811) – **(\$175,149)**;
 - Walton Family Foundation (2903) – **(\$4,992)**;
 - Save the Children (2960) – **(\$46,718)**;
 - Capital Projects Fund 2019 (3020) – **(\$105,215)**;
 - Three Mill Debt Retirement (4021) – **(\$293,498)**; and
 - Debt Service (4041) – **(\$165,839)**.
- The Board approved amended budget for fiscal year 2022 included the following nine (9) funds reflecting a negative fund balance at year-end:
 - CCHS Activity – Regular (1151) – **(\$21,038)**;
 - LES Activity Funds (1156) – **(\$13,427)**;
 - School Improvement 1003(A) (2213) – **(\$74,043)**;
 - IDEA, Part B ARP Grant (2599) – **(\$2,403)**;
 - ARP IDEA Part B Preschool (2600) – **(\$5,910)**;
 - Walton Family Foundation (2903) – **(\$12,166)**;
 - Save The Children (2960) – **(\$2,606)**;
 - Three Mil Debt Retirement (4021) – **(\$365,392)**; and
 - Debt Service (4041) – **(\$165,839)**.

The actual balances at June 30, 2023 were not negative; however, the approval of negative fund balances could result in noncompliance with State Law. Additionally, failure to ensure the combined and combining budgets were spread upon the Board minutes resulted in noncompliance with State Law.

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: The District will ensure that all amended budgets do not exceed available resources.

Repeat Finding: No.

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

Internal Control Deficiency: The Board of Education may establish or adopt any orders, resolutions, or ordinances with respect to District affairs, property, and finances that are consistent with other State Laws (Home Rule). The Board of Education must also establish and oversee the performance of the School District in order to comply with applicable laws and internal controls. The *COSO* and *The Standards for Internal Control in the Federal Government (Greenbook)* dictates that in order to have a successful control environment, the organization must design and implement internal control policies and procedures that ensure compliance with all relevant regulations.

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

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

Finding Detail: During the review of the District’s contractual obligations and salary payments to employees, the auditor noted that the District adopted an “incentive pay” program to reward certified teachers. The AGO has consistently opined that School Boards have the authority to adopt such programs, as long as they meet the following criteria:

1. The incentives are contracted for prior to the date when services are performed;
2. The incentives are determined in accordance with objective standards of measurement; and
3. The incentives are earned by personal services performed by the employees.

Further, the AGO has consistently opined that compliance with the above criteria is essential to ensure incentive payments do not constitute prohibited payments, such as bonuses or donations.

The incentive program designated by the District currently provides incentives for services contracted for prior to the date they were performed.

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

Recommendation: We recommend the District strengthen internal controls and ensure compliance over incentive payments by assuring that all payments are in compliance with the required criteria. We further recommend that the District

consult with their Board Attorney, Mississippi Department of Education, or the Attorney General's Office to ensure their incentive program is in compliance with the State Law.

District's Response: The District will ensure that employees will not receive incentive payments that have not been Board approved and documented. Therefore, adhering to the criteria provided. The District will also consult with the Board Attorney before any decisions are made.

Repeat Finding: No.

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

Internal Control Deficiency: The *COSO* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Management is responsible for implementing proper internal controls surrounding the cash disbursement functions and maintaining and recording all credit card transactions into the general ledger.

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

Applicable Administrative Guidance: *Mississippi Procurement Manual, Chapter 10, 10.112.03, Merchant – Specific Credit Cards*, requires before any governing body may obtain a merchant specific credit card there must be a written justification for the need of the card to the Office of Purchasing, Travel and Fleet Management. This justification should be spread upon the minutes of this Board.

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:

- There was no evidence of six card statements; therefore, the auditor could not verify the charges were matched to the charge slips;
- There was no evidence of 10 charge slips; therefore, the auditor could not verify if personnel were authorized to use the procurement card; and
- The District did not approve the use and justification of anticipated savings for its merchant-specific credit cards (Sam's Club, Home Depot, and Lowe's) and membership club card (Sam's) for the year under review.

Failure to have adequate internal controls, approve merchant-specific cards, and maintain on file the justification for their use resulted in noncompliance with State Law and regulations.

Recommendation: We recommend that the District strengthen internal controls and ensure compliance by implementing adequate policies and procedures concerning its credit card use. Also, we recommend merchant-specific credit cards and membership club cards, as required by State Law and regulations.

District's Response: The District submitted all statements; however, we will monitor each statement to ensure they are received and filed accordingly. We will also keep a more fluent system for receipts and documentation for all authorized users.

Repeat Finding: No.

Finding 6: The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Expense Reimbursements.

Internal Control Deficiency: Management is responsible for ensuring that all travel reimbursement expenditures are correctly recorded, allowed, and documented, as required by the Department of Finance and Administration. Proper internal controls would include maintaining corroborating evidence such as conference schedules and attendance certifications and completing travel request forms. Proper internal controls would include maintaining corroborating evidence such as conference schedules, attendance certifications, and completing travel request forms.

School Board Policy: *Section D, Policy DJD, Expense Reimbursements*, provides that employees shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of such travel, subject to limitation placed on meals for intrastate and interstate official travel by the State Department of Finance and Administration and rules and regulation adopted by the State Department of Audit. This policy also requires that an accounting for any travel advance shall be made within five (5) working days after the end of the month in which the official travel was made.

Coahoma County School District, District Travel Request Form, states, "... Please attach a copy of the program, agenda and/or any literature from the conference/workshop that you're attending. You must also attach a copy of your official leave request to this form and a copy of the map to verify your mileage."

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.

(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. Travel by airline shall be at the tourist rate unless that space was unavailable. The officer or employee shall certify that tourist accommodations were not available if travel is performed in first class airline accommodations. Itemized expense accounts shall be submitted by those officers or employees in such number as the department, agency or institution may require; but in any case, one (1) copy shall be furnished by state departments, agencies or institutions to the Department of Finance and Administration for preaudit or post audit. The Department of Finance and Administration shall promulgate and adopt reasonable rules and regulations which it deems necessary and requisite to effectuate economies for all expenses authorized and paid pursuant to this section.

Requisitions shall be made on the State Fiscal Officer who shall issue his warrant on the State Treasurer. Provided, however, that the provisions of this section shall not include agencies financed entirely by federal funds and audited by federal auditors.

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

- 12 travel request forms did not have evidence of a copy of the map outlining trips to verify mileage, per the District requirement;
- Two meal reimbursements were paid; although breakfast and lunch were provided per review of the conference agendas;
- 11 employees were reimbursed for meals without evidence of actual itemized receipts;
- There was no evidence of eight travel advances being settled within five days after the end of the month; and
- Eight travel reimbursements did not have corroborating evidence; therefore, the auditor could not verify if meals were included at the event or the purpose of the trips.

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

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

District's Response: The District will ensure that all employees submit maps, agendas, receipts and any other documentation that will serve as evidence of travel with reimbursement forms. We will also share with the Board Members the importance of advanced travel documentation to make them aware that it should be settled five working days after the end of the month in which travel was completed.

Repeat Finding: No.

Finding 7: The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Sixteenth Section Leased Land.

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 be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Applicable Administrative Guidance: *MDEAMSD, Section B, Miscellaneous Issues, Section E, Receipt Files*, provides that: "All receipts and checks shall be pre-numbered ... All monies shall be receipted to the school district utilizing pre-numbered receipts (2 parts) and be maintained in a bound book or ledger. Under no circumstances shall monies be deposited to any bank account without a proper receipting of such monies. Any documentation necessary to support the receipts shall be maintained on files. All receipts shall include date, received from, amount, account classification and signature of receiver, at a minimum."."

Applicable State Law: *Section 27-35-71*, "All school lands known as the sixteenth sections, reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be liable, after the same shall have been leased, to be taxed as other lands are taxed during the continuance of the lease; but in case of sale thereof for taxes, only the title of the lessee or his assignee shall pass by the sale."

Section 29-1-3(3), “Any state, county, municipal or school district official shall supply annually to the Secretary of State such sixteenth section management information as shall be requested by the secretary. 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 Secretary of State on schedule of revenue and expenses and principal fund investments. Such information shall include, but not be limited to, the following items: revenues received from various sources; expenses; escrow funds; principal funds; 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. The information must be submitted in electronic format in the manner required by the Secretary of State.”

Section 29-3-57, "The superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section lands; likewise, he shall keep a correct, current docket upon the existing leases or any extensions thereof as to the amounts and time of payment of rentals provided for by such lease. It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease..."

Section 29-3-65, “One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the board of education shall appoint a competent appraiser to appraise the land and report to the board his recommendation for the fair market rental amount. The board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*. Provided that in the event any such land becomes available for lease prior to July 1, 1979, an appraisal shall be required prior to the granting of said lease...”

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

- Four leases with delinquent taxes, however, the lease agreements were not terminated, totaling **\$281,500**;
- Two lease agreements had no appraisals in the files to verify an appraisal was completed prior to entering into a new lease agreement;
- Two lease agreements did not have rent adjustment reviews, as required per lease agreement;
- One lease was not on the Sixteenth Section School Trust Land Report submitted to the Secretary of State’s Office;
- **15%** interest was not charged on two lease payments that were more than thirty (30) days delinquent, per lease agreement;
- Receipts for seven lease payments were not properly nor accurately completed, totaling **\$384,890**; and
- Four receipts were used out of sequential order.

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

Recommendation: We recommend the District strengthen internal controls and ensure compliance by making sure all taxes are current, payments are properly receipted, interest is collected, and an appraiser is appointed one year before the rental of sixteenth section land, as required by State Law.

District’s Response: The District will ensure that all leases’ taxes are current and that all receipts are recorded properly.

Repeat Finding: No.

Finding 8: The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Activity 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 to be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

School Board Policy: *Section D, Fiscal Management, Policy DK Student Activities Fund Management, Receipts*, states, "...A person remitting activity funds to the principal for deposit will be given the original receipt, the second copy will be attached to the transmittal report to the central office, and the third copy will be kept in the book and on permanent file in the principal's office. All of these pre-numbered receipts must be accounted for ... "

Applicable Administrative Decisions and Guidance: *MS AG OP., Thomas *1 (June 9, 1993)* provides in part: "...United States coins and currency (including Federal reserve notes and circulating notes of Federal reserve banks and national banks) are legal tender for all debts, public charges, taxes, and dues. Foreign gold or silver coins are not legal tender for debts..."

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

- Two deposits were not made in a timely manner;
- There was a net overage of **\$17**;
- Four ticket count sheets did not have beginning and/or ending ticket numbers; therefore, the auditor could not determine the actual tickets sold;
- 12 transmittal forms were not dated when completed by the school or when received at the District's Central Office; therefore, the auditor could not verify if the forms were submitted within five days of month end; and
- The District only utilized Go Fan electronic ticket sales, for five athletic events. A convenience fee is charged for each ticket purchased. Only providing this system prohibits the public from purchasing tickets at the gate without an additional fee. A government entity should allow electronic ticket purchases as a voluntary option.

Inadequate internal controls related to activity fund revenue collections, proper receipting, and depositing could result in a loss of assets and improper revenue recognition. Additionally, failure to ensure the public has the option to pay with coins and currency for tickets for extracurricular events resulted in noncompliance with State Law.

Recommendation: We recommend that the District strengthen internal controls by enforcing policies and procedures to ensure receipts from all activities are safeguarded, adequately recognized, and recorded. We also recommend that the District strengthen controls over policies and procedures to ensure that all tickets purchased for extracurricular events do not require paying convenience fees.

District's Response: The District will ensure that all principals make timely deposits and keep better records by keeping accurate information on the transmittal sheets.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 9: 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 to be elected by the school board if such superintendent, principal or licensed employee is related within the third degree by blood or marriage according to the common law to a majority of the members of the school board. No member of the school board shall vote for any person as a superintendent, principal or licensed employee who is related to him within the third degree by blood or marriage or who is dependent upon him in a financial way. Any contract entered into in violation of the provisions of this section shall be null and void.”

Applicable Administrative Decisions and Guidance: *Mississippi Ethics Opinion 10-014-E*, “Pursuant to *Section 25-4-105(1)*, *Miss. Code of 1972*, a school board member may not use his or her position to obtain or attempt to obtain any monetary benefit for a financially independent relative employed by the school district. Therefore, a board member may participate in certain non-discretionary budget matters where the board action will not benefit the relative. However, the board member should avoid participating in budget matters which do not directly affect the relative but from which the relative may indirectly benefit.”

Finding Detail: During the review of the District’s related party questionnaires, the auditor noted one Board Member has a child (certified teacher) who works within the District. The Board Member voted on the amended budget for fiscal year 2021, original and amended budgets for fiscal year 2022, salary scales that included local supplements for fiscal year 2022, salary scales that include local supplements for fiscal year 2023, and recommendations for certified staff for fiscal year 2023, which included their child.

Failure to ensure that Board Members do not vote on budgets that included salaries with local supplements and the recommendation of certified employees that included their financially independent child resulted in noncompliance with State Law.

Recommendation: We recommend the District ensure compliance by assuring Board Members recuse themselves from matters that monetarily benefit their relatives directly or indirectly, as required by State Law and regulations. Additionally, this matter has been forwarded to the *Mississippi Ethics Commission*.

District’s Response: Board Members will be made aware that they must fully recuse themselves when approving the salary scale with local supplements, the entire original and amended budgets to prevent violation of nepotism and ethics law.

Repeat Finding: No.

Finding 10: The District Should Ensure Compliance with State Law Regarding Assigning Additional Duties and Compensation.

Applicable State Law: *Section 25-4-105(3)(a)*, “No public servant shall be a contractor, subcontractor, or vendor with the governmental entity of which he is a member, officer, employee, or agent.”

Applicable Administrative Decisions and Guidance: *Mississippi Ethics Opinion 11-054-E* provides in part, “School district employees may be assigned additional duties and be provided additional compensation. While *Section 25-4-*

105(3)(a), Miss. Code of 1972, prohibits a school district employee from holding two separate employment positions with the same district and receiving separate compensation for each position, one may accept additional duties and receive additional compensation without violating the statute if compensated pursuant to one contract of employment.”

MS AG Op., Neyman, Jr., 2 (June 14, 2013)* provides, in part: “*2 In conclusion, it is the opinion of this office that subject to the discussion above, the justice court judge could accept the proposed position without violating the separation of powers doctrine. Likewise, the judge could be paid for both jobs as long as he avoids the prohibition against being paid for the same hours worked. However, we strongly suggest that the judge consider any potential for repeated recusals that might arise out of him working with the Sheriff Department employees and weigh any effect that may have on his ability to perform fully his duties as a justice court judge. Likewise, with regard to the authority to accept the employment under the prohibitions contained in the ethics laws, we refer you to the *Mississippi Ethics Commission*.”

Finding Detail: During the review of the District’s contracts, the auditor noted one certified employee has two separate Board–approved contracts with the District. The first contract is for the position of ESSER Project Coordinator for **240** days, and the other contract is for teaching math for **187** days.

Failure to ensure the two positions assigned to the District’s employees do not conflict in days or hours resulted in noncompliance with state law. This matter has been referred to the *Mississippi Ethics Commission*.

Recommendation: We recommend the District ensure compliance by making sure that contracts with employees do not violate state law and regulations.

District’s Response: The District will ensure that **240** days District employees do not have two contracted positions. Therefore, adhering to the policies and procedures that comply with state laws and Mississippi Ethics over contracting employees.

Repeat Finding: No.

Finding 11: The District Should Ensure Compliance with State Law Regarding Financial Reports.

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

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

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

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

- The required monthly financial reports for the fiscal year 2022 were not spread upon or listed on the Board minutes; and
- The financial statements for the following months were not approved in the Board minutes:
 - September 2021;
 - October 2021;
 - November 2021;
 - April 2022;
 - May 2022; and
 - June 2022.

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

Recommendation: We recommend the District ensure compliance by making sure an accurate and complete set of financial reports is submitted to the Board monthly, as required by State Law.

District's Response: The District will ensure that all financial reports are recorded to the board minutes.

Repeat Finding: No.

Finding 12: The District Should Ensure Compliance with State Law Regarding Purchasing Procedures and Coding.

Applicable State Law: *Section 31-7-13(b)*, "Bidding procedure for purchases over \$5,000.00 but not over \$50,000.00. Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$50,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained... "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(d)(i), "...If any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid. No agency or governing authority shall accept a bid based on items not included in the specifications."

Section 31-7-113, "The *State Department of Audit*, under the authority of *Section 7-7-211*, shall design and prescribe the form of the inventory to be made, the form of the purchase requisition, the form of the purchase order, the form of the receiving report; prescribe systems of filing and prescribe the system of records necessary for the maintenance of a central purchase system, receiving system and an inventory control system; and shall promulgate and prescribe such other documentation, procedures and regulations necessary for the efficient maintenance of such systems."

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...”

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

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

- Six purchases did not have evidence of two quotes/bids, totaling **\$80,295**;
- The School Board approved five quotes/bids that were other than the lowest bid; however, the Board did not include a narrative within its minutes as justification for the purchases, totaling **\$106,738**:
 - Medify Air, LLC - **\$17,250**
 - Education Materials Specialists - **\$39,464**
 - Instructure, Inc. (TE21) - **\$23,400**
 - School Status - **\$26,624**
- Two claims were paid without invoices;
- Natchez Nissan purchases were more than the EPL quote from the vendor;
- Six invoice payments were made more than 45 days after the invoice was evidenced as received;
- 35 invoices did not have evidence of the date received from the vendor; therefore, OSA could not determine if the payment was made within 45 days; and
- Four expenditures were incorrectly coded by function.

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 making sure all proper purchase procedures, laws, and expenditure coding requirements are being followed and monitored, as required by State Law.

District’s Response: With purchases paid greater than 45 days, this was because of large orders of equipment that the company billed the District for the entire order; however, we received the items in smaller shipments. The District does not make payments for items that have not been received.

Repeat Finding: No.

Finding 13: The District Should Ensure Compliance with State Law Regarding Monetary Incentives for Students and Parents.

Applicable State Law: *Section 37-7-301(s)*, “Activity funds may only be expended for any necessary expenses or travel costs, including advances, incurred by students and their chaperons in attending any in-state or out-state school-related programs, conventions or seminars and/or any commodities, equipment, travel expenses, purchased services or school supplies which the local governing board, in its discretion, shall deem beneficial to the official or extracurricular programs of the district, including items which may subsequently become the personal property of individuals, including yearbooks, athletic apparel, book covers and trophies...”

Section 66 of the Mississippi Constitution provides that no law granting a donation or gratuity in favor of any person or object shall be enacted except by the concurrence of two-thirds of the members elect of each branch of the Legislature, nor by any vote for a sectarian purpose or use.

Applicable Administrative Decisions and Guidance: *MS AG Op., Rodolfich (July 31, 2020)* provides in part: "...The District may not offer monetary incentives to students based upon their performance on the ACT as such incentives would constitute an unlawful donation in violation of *Section 66 of the Mississippi Constitution*..."

Finding Detail: During the review of the District's expenditures, the auditor noted the District purchased **112** gift cards for students and parents that were **\$50** each, totaling **\$5,600**. These incentives were given to both students and parents who voluntarily obtained COVID-19 vaccinations by November 15, 2021, in support of the safety and health of the school community, which is a monetary student incentive.

Failure to ensure students are not given monetary incentives resulted in noncompliance with state law and regulations. Additionally, failure to ensure parents are not given a monetary incentive from the District's public funds resulted in noncompliance with state law and regulations.

Recommendation: We recommend the District ensure compliance by making sure monetary incentives are not given to students and parents, as prohibited by state law.

District's Response: The District will not pay monetary incentives to students for any reasons. The District will ensure that all donated funds are used properly for students and not co-mingled with district funds.

Repeat Finding: No.

Finding 14: The District Should Ensure Compliance with State Law Regarding Retroactive Pay.

Applicable Administrative Decisions and Guidance: *MS AG Op., Ross, Jr. (November 28, 2023)* provides in part: "*Article 4 Section 96 of Mississippi Constitution* provides that the legislature shall never grant extra compensation, fee, or allowance, to any 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; but appropriations may be made for expenditures in repelling invasion, preventing, or suppressing insurrections. This office has repeatedly opined that *Section 96 of the Mississippi Constitution* "strictly forbids payment of retroactive salary increases to any public employee unless such payments is clearly shown to be back pay previously due but unpaid because of administrative error. Further, this office has opined that retroactive pay may not be awarded for work already performed and "for which an agreed upon compensation had already been provided."

Finding Detail: During the review of District's contracts and salaries, the auditor noted one certified teacher was paid retroactively as a coach for fiscal years 2020 and 2021, totaling **\$5,000**. Per inquiry of the District personnel, there were no Board – approved supplemental contracts for the employee to work as the head girls' basketball coach. The employee was appropriately paid according to the teaching contract on file within their personnel file.

Recommendation: We recommend the District ensure compliance by assuring no salaries are paid retroactively and according to the Board – approved contracts, as required by State Law.

District's Response: The District will ensure that employee will not receive retroactive payments that have not been previously Board approved. Therefore, adhering to the policies and procedures that comply with state law that no salaries are paid retroactively.

Repeat Finding: No.

Finding 15: The District Should Ensure Compliance with State Law Regarding Salary Scales, Contracts, Background Checks, and Educator Certifications.

Applicable State Law: *Section 37-19-7(1)*, “The allowance in the Mississippi Adequate Education Program for teachers' salaries in each public school district shall be determined and paid in accordance with the scale for teachers' salaries as provided in this subsection. For teachers holding the following types of licenses or the equivalent as determined by the State Board of Education, and the following number of years of teaching experience, the scale shall be as follows...”

Section 37-9-17(2), “...Current criminal records background checks and current child abuse registry checks are obtained, and that such criminal record information and registry checks are on file for any new hires applying for employment as a licensed or non-licensed employee at a school and not previously employed in such school under the purview of the State Board of Education or at such local school district prior to July 1, 2000...”

Section 37-151-91, “The school boards of all school districts may establish salary schedules based on training, experience, other such factors as may be incorporated therein, including student progress and performance as developed by the State Board of Education, paying teachers greater amounts than the scale provided herein, but no teacher may be paid less than the amount based upon the minimum scale of pay provided in the adequate education program as prescribed in *Section 37-19-7, Mississippi Code of 1972*, and all supplements paid from local funds shall be based upon the salary schedules so established...The amount actually paid to each teacher shall be based upon and determined by the type of certificate held by such teacher.”

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.”

Applicable Administrative Guidance: *MDEAMSD, Section B, Miscellaneous Issues, Subject D, Personnel Files*, “There shall be individual personnel files in the school district central office, which include contracts, support documentation of experience awarded, support documentation of licensure, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals. School districts, as well as private firms under contract to provide substitute teachers to school districts, are required to conduct criminal records background and child abuse registry checks on all licensed and non-licensed employees hired after June 30, 2000.”

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

- Three certified employees did not have background checks documented in their personnel files;
- 14 personnel files did not include the educator certifications;
- Three personnel files did not have verification of employment;
- Board-approved fiscal year 2023 salary scales were not spread upon the Board minutes;
- There was no evidence of one Board-approved step scale; therefore, the auditor could not determine if the contract was correct;
- Four step scales paid did not match the verification of experience provided;
- Two certified employees’ contract/salary did not agree with the Board – approved salary schedule; and

- Two certified employees' salaries paid did not agree with their contracts.
- The following certified employees were paid for additional duties totaling **\$45,139**; however, there was no evidence of supplemental contracts, at-will contracts nor Board approval spread upon the minutes:
 - One certified employee was paid additionally as a bus driver, totaling **\$11,413**;
 - 13 certified teachers were paid additional salaries for the extended school year, totaling **\$26,960**;
 - One certified employee was paid for an "hourly job," totaling **\$634**;
 - One certified employee was paid for Bus Safety Inspections, totaling **\$1,632**; and
 - Three certified employees were paid additional salaries for Simple K-12 Platform, totaling **\$4,500**.

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

Recommendation: We recommend that the District ensure compliance by making sure that all criminal background checks are obtained and maintained in the personnel files of the employees, as required by State Law. Also, we recommend that the District ensure all salaries are paid according to the appropriate salary scales and that all contracts are properly executed prior to paying the salaries of employees, as required by State Law.

District's Response: The District will ensure that all necessary documentation is included in employees' files that all background checks are done and employees do not overlap in positions and pay.

Repeat Finding: No.

Finding 16: The District Should Ensure Compliance with State Law Regarding PERS Reported Salaries.

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

Section 37-9-37, "In fixing salaries, the school boards shall take into consideration the character, professional training, experience, executive ability and teaching capacity of the ...superintendent consideration the amount of money that the district spends per pupil, and shall attempt to ensure that the administrative cost of the district and the amount of the salary of the superintendent are not excessive in comparison to the per pupil expenditure of the district.

Finding Detail: During the review of the District's PERS Form 4Bs, the auditor noted the following exceptions in relation to the salary pay for its Superintendent:

- Prior to fiscal year 2022 and during the current 2023 fiscal year, salaries for full-time Superintendents were certified by the School Board for no more than **\$120,000**; and
- For fiscal year 2022, the School Board certified the salary of a full-time Superintendent at an inflated amount of **\$248,200**. This enabled the Board to set the superintendent's part-time salary at **\$124,101**.

Failure to properly certify the full-time salary of the Superintendent could result in circumventing state law and regulations. Also, this is indicative of waste and abuse.

Recommendation: We recommend the District ensure compliance by making sure the fulltime salary of its Superintendent is adequately considered and certified to PERS, as required by State Law and regulations.

District's Response: The District will ensure that all salaries are not deemed wasteful and abusive.

Repeat Finding: No.

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

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

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

Finding Detail: During the review of the District's PERS Form 4Bs, the auditor noted the following exceptions:

- One PERS Form 4B did not have evidence of the full-time annual salary; therefore, OSA could not determine if the retiree was paid the salary allowed by PERS;
- The District failed to pay PERS Employer Contributions on behalf of two retirees, totaling **\$5,403**; and
- The District hired two retirees; however, it could not provide the PERS letter stating that the employees are independent contractors, so the auditor could not verify their status.

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

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

District's Response: Although the School District submitted the 4B Forms to PERS within five days of employment, the District will monitor all dates of submission to PERS and keep all documentation.

Repeat Finding: No.

Finding 18: The District Should Ensure Compliance with State Law Regarding Board Minutes and Meetings.

Applicable State Law: *Section 37-6-9(e)*, "...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."

School Board Policy: *Section B, School Board Operations, Policy Code BCAC, Special Meetings of the Board*, states, “Special meetings of this school board may be held upon the call of the president thereof, or upon the call of a majority of the members thereof. In order for an item to be legally considered at a called meeting of the board, there must be prior notice that the item will be discussed at the meeting. All items to be discussed at the special or called meeting must be included in the call. Public comments if allowed under these policies, at special meetings must be related to the call of the meeting. 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 school board normally meets. A copy of the notice shall be made a part of the minutes or other permanent official records of the school board.”

Section B, School Board Operations, Policy Code BCBD, Board Meeting Agenda, states, “The Coahoma County School District school board meetings shall follow the printed agenda or the notice of special meetings, such as the case may be...Other items may be discussed, except in the case of special meetings, providing that such items have been properly approved and added to the agenda under agenda item “Adoption of Agenda.”

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

- The Secretary failed to sign the minutes for the following Board Meetings:
 - July 12, 2022;
 - August 3, 2022;
 - August 9, 2022;
 - August 23, 2022;
 - September 12, 2022;
 - September 13, 2022;
 - September 28, 2022; and
 - October 3, 2022.
- There were no copies of the Call or Notice for special-called meetings included in the Board minutes; and
- Additional items were added to two special-called meeting agendas, after the fact.

Failure to have adequate internal controls regarding the maintenance and preparation of the Board Minutes resulted in noncompliance with State Law.

Recommendation: We recommend the District ensure compliance by implementing adequate policies and procedures to make sure detailed minutes are kept for all public meetings, and any actions taken are properly documented, as required by State Law.

District’s Response: The District will ensure that all necessary documents are spread across the minutes and make sure all required signatures are received.

Repeat Finding: No.

Finding 19: The District Should Ensure Compliance with State Law Regarding Surety Bonds.

School Board Policy: *Section D, Fiscal Management, Policy Code DH, Bonded Employees and Board Members*, provides.”

Section D, Fiscal Management, Policy Code DJEA, Purchasing Authority, states, “... In addition to the superintendent the school board hereby designates the business manager as a "purchasing agent" with general authority to negotiate for and

purchase the commodities and services necessary for the operation of the school district, within the limits of budget categories and purchasing law....”

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

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

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

Section 37-39-21, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety....”

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

- One Board Member, one Interim Superintendent, one Purchase Agent, one Principal, one Federal Programs Director, and one SPED Director were covered by continuation certificates;
- Five student resource officers were not bonded, as required by the District’s Board policy;
- The Business Manager was not bonded as a Purchasing Agent for fiscal year 2022. The District’s purchasing authority policy designates the Business Manager as a Purchasing Agent; and
- The District did not make a finding upon its Board minutes that the following positions, which handle public funds, are incidental to his or her employment and do not require bonds:
 - Superintendent Administrative Assistant/Board Clerk/Human Resources Director;
 - Accounts Payable/Sixteenth Section Clerk;
 - Assistant Finance Director/Payroll Manager;
 - Payroll and Operations Assistant;
 - Three Cafeteria Managers;
 - Assistant Cafeteria Manager;
 - Eight Food Service Employees;
 - Food Service Secretary;
 - Four School Secretaries; and
 - 21 Gatekeepers.

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

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

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

District's Response: The District will ensure that all employees who come in constant contact with money or make financial decisions have correct bonds.

Repeat Finding: No.

INSTANCE OF NONCOMPLIANCE WITH FEDERAL LAW

Finding 20: The District Should Ensure Compliance with Federal Law Regarding District – Owned Vehicles.

Applicable Federal Law: *U.S. Treasury Regulation Section 1.61-21(c)(2)*, requires personal use of an employer's vehicle to be taxable to the employee's wages. The employer can choose to include all use as wages in which the employee may reimburse the employer for personal use rather than having it treated as wages. Under IRS rules, commuting between residence and work station is considered personal use. Also, under the general valuations rule for fringe benefits, the amount to include in income is fair market value and to be included in the employee's wages on their Form W-2.

Finding Detail: Based upon the review of the District's list of vehicles, payroll reports, and 2021 calendar year W-2s, the auditor noted the following employees are assigned a District vehicle to commute daily from their residence to the Central Office; however, the fair market value is not included in their wages nor have they reimbursed the District for personal use:

- Superintendent;
- Food Service Director; and
- Transportation Director.

Failure to include the fair market value of the District's vehicles in these employees' salaries or require reimbursement from employees resulted in noncompliance with treasury regulations and resulted in the employees' wages being understated.

Recommendation: We recommend the District ensure compliance by making sure the fair market value of the District's vehicles utilized by its employees for their daily commute, is included in their wages as a fringe benefit or personal use is reimbursed, as required by Federal Law.

District's Response: Pending Board approval, the District plans to have fair market value of District vehicles utilized by employees, for daily commute, included in their wages as a fringe benefit.

Repeat Finding: No.

End of Report