



## **COMPLIANCE REPORT**

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**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT**  
For the Year Ended *June 30, 2024*

**SHAD WHITE, CFE**  
**State Auditor**

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





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

June 30, 2025

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

Leland School District  
408 East 4<sup>th</sup> Street  
Leland, MS 38756

Dear Members of the Leland School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the **Leland School District** for the fiscal year **2024**. In these findings, the Auditor's Office recommends the **Leland School District**:

1. Strengthen Internal Controls Regarding Investment Trust Account Balances and Transactions;
2. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approval and Procedures;
3. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Sixteenth Section Lease Deposits, Taxes, Payments, and Appraisals;
4. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Reimbursements;
5. Ensure Compliance with State Law Regarding Advertisement of Depositories;
6. Ensure Compliance with State Law Regarding Public Depositor's Annual Report;
7. Ensure Compliance with State Law Regarding Purchasing Procedures;
8. Ensure Compliance with State Law Regarding Certified Employee Salaries, Supplemental Contracts, and Obtaining Background Checks;
9. Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees; and
10. Ensure Compliance with State Law Regarding Surety Bonds.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Charlotte L. Duckworth".

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

The Office of the State Auditor has completed its limited internal control and compliance review of the **Leland School District** for the year ended **June 30, 2024**.

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 a certain deficiency in internal control that we consider to be a *material weakness* in internal control. This matter is noted under the heading **MATERIAL WEAKNESS**. We also identified other deficiencies that we have noted under the heading **OTHER DEFICIENCIES**.

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

Terms used in this Report.

AGO – Attorney General's Office

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

DFA – Mississippi Department of Finance and Administration

District – Leland School District

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

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

OSA – Office of the State Auditor

PERS – Public Employees' Retirement System of Mississippi

Section – *Mississippi Code Annotated (1972)*

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## **MATERIAL WEAKNESS**

**Finding 1:** The District Should Strengthen Internal Controls Regarding Investment Trust Account Balances and Transactions.

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

**Finding Detail:** During the review of the District's investment trust accounts, the auditor noted the District's LTD Tax Note SER 2009 (QSCB) Debt Service Fund has a year-end investment balance of **\$1,551,713**; however, the District's financial statement reported an investment balance totaling **\$1,366,763** which is understated by **\$184,950**.

Failure to reconcile and record all transactions within the general ledger for its investment trust accounts resulted in the District reporting its investment balance incorrectly at year-end and misrepresenting its financial statements, which could result in the misappropriation or loss of public funds.

**Recommendation:** We recommend the District implement a system of internal controls that will ensure all transactions in the District's investment trust accounts are correctly recorded in the year-end balances in the financial statements and general ledger.

**District's Response:** I concur with the findings and will work to correct.

**Repeat Finding:** Yes. Repeat 2021 Compliance Finding.

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## OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 2:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approval and Procedures.

**Internal Control Deficiency:** The Board of Education establishes priorities for the financial management of the District, reviews and approves all presented budgets, and assures expenditures for District funds are within the legal requirements of the approved budget.

**Applicable State Law:** *Section 37-61-19* states, "It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund. Furthermore, it shall be unlawful for any contract to be entered into or any obligation incurred or expenditure made in excess of the resources available for such fiscal year. Any member of the school board, superintendent of schools, or other school official, who shall knowingly enter into any contract, incur any obligation, or make any expenditure in excess of the amount available for the fiscal year shall be personally liable for the amount of such excess..."

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

- On June 30, 2023, the Board approved the **2023-2024** original budget that included the following 11 funds reflecting a projected negative fund balance at year end:
  - Vocational Vending Activity Fund (1160) – **(\$3,586)**;
  - Title I A Basic Fund (2211) – **(\$21,045)**;
  - Title I Cost Pool Fund (2290) – **(\$96,575)**;
  - Title V New Fund (2311) – **(\$22,652)**
  - Title II Fund (2511) – **(\$18,261)**;
  - ARP IDEA Part B Fund (2599) – **(\$9,677)**;
  - ARP IDEA Part B Preschool Fund (2600) – **(\$3,812)**;
  - IDEA Part B PL 94-142 Fund (2610) – **(\$48,034)**;
  - Preschool Fund (2620) – **(\$4,573)**;
  - Early Learning Collaborative Fund (2906) – **(\$19,213)**; and
  - MS Dept of Archives & History Fund (2911) – **(\$290,900)**.
- The District's actual expenditures for fund 2599 (ARP IDEA PART B) exceeded the budgeted expenditures by the amount of **\$6,009**; and
- The Amended combined and combining Budget at year end for Fiscal Year 2024 were not accurately calculated, resulting in a difference totaling **(\$71,554)**.

The actual fund balances at June 30, 2024 were not negative; however, the approval of the fund budgets with ending deficit fund balances could result in noncompliance with state law. Also, failure to ensure there are resources available for all expenditures could result in deficit fund balances.

**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 Board. A thorough review of such budgets should be made prior to being presented to the Board for approval.

**District's Response:** I concur with finding and will correct.

**Repeat Finding:** Yes. Repeat 2021 Compliance Finding.

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**Finding 3:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Sixteenth Section Lease Deposits, Taxes, Payments, and Appraisals.

**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 State Law:** *Section 27-35-71* states, "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 29-3-57* states, "...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* states, "One (1) year prior to the date, when any such lands, not subject to competitive bid procedures, shall become available for lease, the Board of Education shall appoint a competent appraiser to appraise the land and report to the Board his recommendation for the fair market rental amount. The Board shall then determine whether the same be a reasonable amount, and shall grant the lease pursuant to *Section 29-3-63*."

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

- Two lease payments were not deposited in a timely manner;
- Two lease agreements where taxes were not current, totaling **\$9,612**; however, the lease agreements were not terminated;
- One lease payment was not made for the fiscal year; however, the lease agreement was not terminated;
- One lease payment was more than 60 days late; however, the lease agreement was not terminated; and
- One lease agreement had no evidence of an appraisal on file prior to entering into a new lease agreement.

Inadequate internal controls relating to depositing sixteenth section revenue could result in a loss of assets and improper revenue recognition. Failure to terminate lease agreements due to the non-payment of property taxes and rental payments, and failure to appoint a competent appraiser resulted in noncompliance with state law.

**Recommendation:** We recommend the District ensure lease payments are made within 60 days of due dates, an appraiser is appointed one year before the rental of sixteenth section land, and property taxes are current, as required by state law. Additionally, we recommend all lease payments are deposited timely.

**District's Response:** I concur with finding and will correct.

**Repeat Finding:** Yes. Repeat 2021 Compliance Finding; Repeat 2019 and 2022 Finding.

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**Finding 4:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Reimbursements.

**Internal Control Deficiency:** Management is responsible for ensuring that all travel 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, attendance certifications, and completing travel request forms.

**School Board Policy:** *Section D, Fiscal Management, Policy DJD, Expense Reimbursements, Regarding Travel Advances, (7) (a-c)* states, "7. 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.

- a. Any money not used for travel related expenses shall be repaid the school district at this time.
- b. The travel reimbursement form prescribed by the State Department of Finance and Administration shall be completed and submitted at this time for all money not refunded the school district.
- c. Actual receipts are required for all travel expenses except meals and travel in personal vehicles is to be included."

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

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

- Four travel vouchers were not properly signed for payment;
- Five travel vouchers did not have corroborating evidence to support the purpose of professional travel;
- One travel voucher did not have evidence of travel in a private automobile but was issued a mileage reimbursement; and
- Fourteen travel advance documentation did not include receipts nor evidence of Board approval.

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

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

**District's Response:** I concur with findings and correction made going forward.

**Repeat Finding:** Yes. Repeat 2021 Compliance Finding; Repeat 2022 CPA Finding.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 5:** The District Should Ensure Compliance with State Law Regarding Advertisement of Depositories.

**Applicable State Law:** *Section 37-7-333* states, “All such allotments or funds shall be placed in the depository or depositories selected by the school board in the same manner as provided in *Section 27-105-305* for the selection of county depositories. Provided, however, the annual notice to be given by the school board to financial institutions may be given by the school board at any regular meeting subsequent to the board’s regular December meeting but prior to the regular May meeting. The bids of financial institutions for the privilege of keeping school funds may be received by the school board at some subsequent meeting, but no later than the regular June meeting; and the selection by the school board of the depository or depositories shall be effective on July 1 of each year. School boards shall advertise and accept bids for depositories, no less than once every three (3) years, when such board determines that it can obtain a more favorable rate of interest and less administrative processing. Such depository shall place on deposit with the superintendent of schools the same securities as required in *Section 27-105-315*.”

**Finding Detail:** During the review of the District’s Board minutes, the auditor noted the Board did not spread across its minutes the approval to advertise for its depository.

Failure to ensure the Board approves and spread upon its minutes the approval to advertise for the District’s depository resulted in noncompliance with state law.

**Recommendation:** We recommend the District ensure compliance over depository bids by ensuring that the Board approves to advertise to financial institutions as the District’s depository, as required by state law.

**District’s Response:** I concur with finding and will correct.

**Repeat Finding:** No.

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**Finding 6:** The District Should Ensure Compliance with State Law Regarding Public Depositor Annual Report.

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

**Finding Detail:** During the review of the District’s depositories, the auditor noted the District failed to submit the Public Depositor Annual Report for fiscal year 2024.

Failure to submit the Public Depositor Annual Report could increase the risk that the District’s total deposits may not be properly collateralized, and 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:** I concur with finding and will correct.

**Repeat Finding:** Yes. Repeat 2021 Compliance Report.

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

**Applicable State Law:** *Section 31-7-1(c)* states, “Purchasing agent” means any administrator, superintendent, purchase clerk or other chief officer so designated having general or special authority to negotiate for and make private contract for or purchase for any governing authority or agency, including issue purchase orders, invitation for bids, request for proposals, and receive and accept bids.”

*Section 31-7-13(b)* states, “Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Seventy-five Thousand Dollars (\$75,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained...The term “competitive written bid” shall mean a bid submitted on a bid form furnished by the buying agency or governing authority and signed by authorized personnel representing the vendor, or a bid submitted on a vendor’s letterhead or identifiable bid form and signed by authorized personnel representing the vendor. “Competitive” shall mean that the bids are developed based upon comparable identification of the needs and are developed independently and without knowledge of other bids or prospective bids. Any bid item for construction in excess of Five Thousand Dollars (\$5,000.00) shall be broken down by components to provide detail of component description and pricing. These details shall be submitted with the written bids and become part of the bid evaluation criteria. Bids may be submitted by facsimile, electronic mail or other generally accepted method of information distribution. Bids submitted by electronic transmission shall not require the signature of the vendor’s representative unless required by agencies or governing authorities.”

*Section 31-7-13(c)(i)(1)* states, “Purchases which involve an expenditure of more than Seventy-five Thousand Dollars (\$75,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder after advertising for competitive bids one each week for two (2) consecutive weeks in a regular newspaper published in the county or municipality in which such agency or governing authority is located...”

*Section 31-7-305(2)* states, “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 37-39-15(1)* states, “In connection with the purchase of necessary supplies or equipment for the conduct of regular school operations, school boards may, in their discretion, designate as their purchasing agent or agents such school official or officials as competitive bid requirements in *Section 31-7-1* et seq., *Mississippi Code of 1972*.”

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

- Three vendor purchases totaling **\$37,175** did not have two bids/quotes:
  - Collins Heating and Air **\$25,000;**
  - Red Circle Solutions **\$ 6,995;** and
  - Cleveland Fence & Installation **\$ 5,180.**
- One vendor purchase from Wright Express Bank totaling **\$240,458** did not have two bids/quotes;
- One instance where two quotes provided from Grover Brothers Restaurant Supply, Inc and Associated Food Equipment & Supplies were the same quote. The second page of the Associated Food Equipment quote has Grover Brothers name listed on the quote;
- Seventeen purchase orders were not signed by the purchasing agent; and
- One invoice was paid more than 45 days after being received within the District.

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



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

**District's Response:** I concur with finding and will correct.

**Repeat Finding:** Yes. Repeat 2021 Compliance Finding.

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**Finding 8:** The District Should Ensure Compliance with State Law Regarding Certified Employee Salaries, Supplemental Contracts, and Obtaining Background Checks.

**Applicable State Law:** *Section 37-9-17(2)* states, "Superintendents/directors of schools under the purview of the State Board of Education, the superintendent of the local school district and any private firm under contract with the local public school district to provide substitute teachers to teach during the absence of a regularly employed schoolteacher shall require, through the appropriate governmental authority, that 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 nonlicensed 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..."

**Applicable Administrative Decisions and Guidance:** *MS AG Op., Massey \* 1 (January 23, 1984)*. States in part: "...\*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 certified employees, the auditor noted the following exceptions:

- One certified employee did not have evidence of a background check in their personnel files; and
- Three certified employees did not have evidence of a contract on file for additional work performed, totaling **\$1,688**.

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

**Recommendation:** We recommend the District ensure compliance by assuring all criminal background checks are obtained and maintained in the personnel files of its employees, as required by state law. Also, we recommend the District ensure all salaries are paid according to an approved contract, as required by state law.

**District's Response:** I concur with finding and will correct the finding.

**Repeat Finding:** Yes. Repeat 2021 Compliance Finding.

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**Finding 9:** The District Should Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees.

**Applicable State Law:** *Section 25-11-127(1)(a)* states, “No person who is being paid a retirement allowance or a pension after retirement under this article shall be employed or paid for any service by the State of Mississippi, including services as an employee, contract worker, contractual employee or independent contractor, until the retired person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement. After the person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement or such later date as established by the board, he or she may be reemployed while being paid a retirement allowance under the terms and conditions provided in this section or in Section 25-11-126.”

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

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

- One retiree was paid more than the amount allowed by PERS totaling **\$663**; and
- Three PERS Form 4Bs did not have evidence of the retirees’ rehire dates; therefore, OSA could not determine if forms were submitted to PERS within five days.

Failure to have adequate controls regarding 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:** The School District agrees with finding.

**Repeat Finding:** Yes. Repeat 2021 Compliance Finding; Repeat 2022 CPA Finding.

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**Finding 10:** The District Should Ensure Compliance with State Law Regarding Surety Bonds.

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

*Section 25-1-15(2)* states, “...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 37-6-15* states, “Before entering upon the discharge of the duties of his office, each member of the school board shall give a surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety, to be payable conditioned and approved in the manner provided by law. The school board may execute a blanket bond for each school district official and employee (including school business managers and any other employee who receipts and/or disburses school district funds) in the penalty of Fifty Thousand Dollars (\$50,000), unless a different penalty is prescribed by statute,

to be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund.”

*Section 37-9-27* states, “The superintendent of any school district, before entering upon the duties of his office, shall furnish a good and sufficient surety bond in the penal sum of One Hundred Thousand Dollars (\$100,000.00), with sufficient surety. Such bond shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located, and shall be payable, conditioner and approved in the manner provided by las. The premium on said bond shall be paid out of the school district maintenance fund.”

*Section 37-9-31* states, “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...”

*Section 37-39-21* states, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000.00), with sufficient surety...”

**School Board Policy:** *Section D, Fiscal Management, Policy Code DH, Bonded Employees*, states, “This board will comply with all applicable provisions of the Mississippi Code of 1972, Annotated Section as amended, and with all other applicable federal and state laws as it relates to:

Surety Bond for School Board Members (*MS Code 37-6-15*)  
Blanket Security Bond (*MS Code 37-6-15*)  
Bond for Superintendents (*MS Code 37-9-27*)  
Bonds of Purchasing Agents (*MS Code 37-39-21*)  
Bonds of Principals (*MS Code 37-9-31*)  
Bonds of Security Personnel (*MS Code 37-7-321*)  
New Bonds to be Secured Every Four Years Individual and Blanket (*MS Code 25-1-15*).”

Such bond shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located, and shall be payable, conditioned and approved in the manner provided by law...”

*Section D, Fiscal Management, Policy Code DJEA, Purchasing Authority*, provides that in addition to the superintendent the school board designates the assistant superintendent, business manager, Director of Auxiliary Services, Director of Maintenance, and principals as purchasing agents.

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

- Two Board members and one purchasing agent were covered by continuation bonds;
- Nine employees’ bonds were for an indefinite term:
  - Three Board members;
  - Superintendent;
  - Business manager;
  - One purchasing agent; and
  - Three principals.
- Two principals were not bonded;
- The CTE Director’s bond did not cover the entire fiscal year;
- The District did not have bond nor make a finding upon its Board minutes that the following work of employees as handling of cash is incidental to employment; does not require bonds; would be an occasional, not regularly occurring, handling of funds; and would handle random, infrequent, or an immaterial amount of money:

- Gatekeepers;
  - Four secretaries;
  - Seven cafeteria managers; and
  - Cashiers.
- The District's bonded employee policy provides that its School Resource Officers (SROs) should be bonded; however, the three SROs were not bonded; and
- The District's purchasing authority policy designates the business manager as a purchasing; however, the business manager was not bonded as such.

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 assuring all employees are correctly and sufficiently bonded, as required by state law. Additionally, the District should ensure employees are bonded according to Board – approved policies.

**District's Response:** I concur with finding and will put in motion to correct.

**Repeat Finding:** Yes. Repeat 2021 Compliance Finding; Repeat 2022 CPA Finding.

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**End of Report**