



COMPLIANCE REPORT

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**

February 26, 2025

Limited Internal Control and Compliance Review Management Report

Smith County School District
212 Sylvarena Avenue
Raleigh, MS 39153

Dear Members of the Smith County School Board:

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

1. Strengthen Internal Controls and Ensure Compliance Regarding Bank Reconciliations;
2. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Activity/Athletic Fund Cash Receipts and Deposits;
3. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Reimbursements;
4. Ensure Compliance with State Law Regarding Board Member Ethics and Nepotism;
5. Ensure Compliance with State Law Regarding Purchasing Procedures;
6. Ensure Compliance with State Law Regarding Approval of Depositories;
7. Ensure Compliance with State Law Regarding Scholarship Funds;
8. Ensure Compliance with State Law Regarding the Purchase of Mississippi High School Activities Association (MHSAA) Statewide Passes;
9. Ensure Compliance with State Law Regarding the Reemployment of Retired Public Employees;
10. Ensure Compliance with State Law Regarding Statements of Economic Interest (SEIs); and
11. 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 **Smith County School District** to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "Charlotte L. Duckworth".

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 **Smith County 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 certain deficiencies in internal control that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **SIGNIFICANT DEFICIENCY**. 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 – Smith County School District

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

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

OSA – Mississippi Office of the State Auditor

PERS – Public Employees' Retirement System of Mississippi

Section – *Mississippi Code Annotated (1972)*

SIGNIFICANT DEFICIENCY

Finding 1: 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 Administrative Guidance: *MDEAMSD, Section B, Miscellaneous Issues, Subject G, Bank Depository Reconciliations*, states "...All bank statements shall be reconciled within 30 days of receipt. Bank statements should be

reconciled to the district's general ledger cash balances in a timely, accurate manner. The district should also ensure proper internal controls surrounding the completion and review of bank reconciliations. Each bank reconciliation should be signed (or initialed) and dated by the person completing and the person reviewing it..."

Finding Detail: During the review of the District's bank reconciliations, the auditor noted the District's bank reconciliations were not signed nor initialed by the person completing and reviewing the reconciliations.

Failure to have proper internal controls surrounding bank reconciliations could result in errors, misstatements, or fraud occurring without being detected in a timely manner.

Recommendation: We recommend the District strengthen internal controls and ensure compliance by assuring bank reconciliations are reviewed by a second person and they are signed by the person completing and reviewing the reconciliations, as required by state law.

District's Response: The Business manager will date and initial all bank reconciliations beginning immediately. The superintendent or other central office staff will review the reconciliations to ensure they are initialed.

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 Activity/Athletic Fund Cash Receipts and Deposits.

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

Applicable Administrative Guidance: *MDEAMSD, Section F, Activity Funds, General Financial Requirements, Extracurricular Events* states, "The school board should develop and adopt a policy that establishes the amounts charged by the local schools for admission to extracurricular activity events. The policy should include football games, basketball games, baseball games and other similar extracurricular activity events. In the absence of a school board policy, the school principal does not have the authority to set admission charges for extracurricular activity events..."

MDEAMSD, Section F, Activity Funds, General Financial Requirements, Reporting 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..."

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

- The monthly transmittal reports were not dated; therefore, the auditor could not verify if they were submitted within five working days after the close of the month;
- One deposit was not made timely; and
- Admission fees for extracurricular events were not approved and adopted in the District's Board policy.

Failure to have adequate internal controls related to activity funds revenue collection, proper receipting, and depositing could result in a loss of assets and improper revenue recognition.

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

District's Response: Central office staff will stamp the activity fund reports when they are received to document the date. School administrators and staff will be informed regularly on the importance of timely depositing school funds. The superintendent will prepare and present a listing of all fees for extracurricular activities and events to the School Board or approve in policy.

Repeat Finding: Yes. Repeat 2019 Compliance Finding.

Finding 3: 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.

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

Section 25-3-41(4) 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..."

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

Section D, Fiscal Management, Policy Code 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 Mississippi Department of Finance and Administration shall be completed and submitted at this time for all money not refunded the school district.
- c. Actual receipts for all travel expenses are to be included."

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

- Twelve travel vouchers were not properly signed and approved for payment;
- Seven instances where the travel was not approved prior to travel;
- Ten travel reimbursements did not have evidence to support the purpose of the trip;

- Three reimbursements did not have evidence of hotel receipts to verify overnight stay; however, meal reimbursements were claimed; and
- One travel advance did not include receipts or Board approval.

Lack of internal controls regarding travel reimbursements could result in the fraud, loss, or misappropriation of public funds, and resulted in noncompliance with state law.

Recommendation: We recommend that the District strengthen internal controls and ensure compliance by acquiring and maintaining all travel documentation, and ensuring all reimbursements are issued per state law, regulations and Board policy.

District's Response: The Purchasing agent will increase review on all travel reimbursements to include appropriate signatures, forms documenting prior approval, proof of overnight travel (where necessary), and documentation of the purpose of the trip. Request not supported by the required documentation will be returned unpaid. Administrators and staff have been informed of the new requirements. Furthermore, the Business Office will ensure any future advances will be board approved.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 4: The District Should Ensure Compliance with State Law Regarding Board Member Ethics and Nepotism.

Applicable State Law: *Section 25-4-105(1)* states, "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 states, "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* states in part, "A school board member and school district employee must be financially independent from each other to avoid a violation of Section 109, Miss. Const. of 1890, and Section 25-4-105(2), Miss. Code of 1972. That rule is discussed in Advisory Opinion No. 09-038-E and numerous other opinions. This opinion is predicated upon the requestor's statement that all school board members and school district employees referenced herein are indeed financially independent from one another.

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 his or her relative, as defined in Section 25-4-103(q). As explained in Advisory Opinion No. 09-038-E, actions in which the board member should not participate include, but are not limited to, the hiring or promotion of the relative or adjustments to his salary, benefits or other compensation, and any other action which is a necessary predicate to the relative's compensation, such as approval of the budget from which he is paid.

The board member would not be required to recuse himself or herself from approval of the budget where the relative is a licensed employee of the school district whose salary is set by the Mississippi Department of Education and the school district has not supplemented that employee's salary, or provided other discretionary salary or benefits to the relative. When

possible a school board may separate the budget approval into parts and vote on the parts separately, even when such separation is not necessary to maintain a quorum. The guiding requirement is that a board member must recuse from actions which would result in a monetary benefit to the board member's relative. Therefore, a school trustee who's financially independent child is employed by the school district as a certified teacher may vote on the adoption of a budget, provided that all local salary or other supplemental benefits are excluded from the budget as voted upon and acted upon separately by the other trustees, even when such separation is not so required to obtain a quorum.

Likewise, a school board member may not use his or her position to avoid a monetary detriment to his or her relative, such as termination or unpaid furlough. Avoiding a financial loss is the same as receiving a monetary benefit. Therefore, a school board member may not participate in actions or discussions regarding measures which would result in a monetary loss on the part of the board member's relative. If the relative is a teacher, then layoffs affecting food service workers might not affect the relative. However, the choice to reduce pay, hours or positions among one group of employees may lessen the effect of budget cuts on another group of employees. Such action could result in a comparative benefit to a separate group of employees and could result in a violation of Section 25-4-105(1).

Therefore, to avoid the potential for such a violation, a school board member whose relative is employed by the district should avoid participating in actions which may have even an indirect monetary effect on the relative. Such situations are difficult to anticipate in the abstract, making specific prospective advice difficult to provide. If the alderman is concerned that a potential school trustee would be compelled to frequently recuse from important decisions, then the alderman should consider supporting another person for appointment to the school board."

Mississippi Ethics Commission Opinion 07-059-E, states in part "...Section 25-4-105(1), above, prohibits the trustee from taking any action in his or her official position which would create a monetary benefit for his or her spouse, child or parent. A monetary benefit to the daughter-in-law would inure to the trustee's son. Therefore, the trustee must recuse himself or herself from any action which would result in a pecuniary benefit to the daughter-in-law. Actions in which the trustee may not participate include, but are not limited to, the hiring of the applicant or adjustments to her salary, benefits or other compensation and any other action which is a necessary predicate to the daughter-in-law's compensation, such as approval of the budget from which she is paid.

A total and complete recusal requires that the public servant not only avoid debating, discussing or taking action on the subject matter during official meetings or deliberations, but also avoid discussing the subject matter with staff or any other person. This includes casual comments, as well as detailed discussions, made in person, by telephone or by any other means. An abstention is considered a vote with the majority and is not a recusal. Furthermore, the minutes of the meeting should state the recusing member left the room before the matter came before the public body and did not return until after the vote."

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

- One Board member did not recuse themselves during the vote to rehire their granddaughter as a teacher assistant and the 2023-2024 salary approval which includes their relative's salary. Also, the Board member did not recuse themselves during the vote to hire their son-in law (maintenance) which included their salary; and
- Two Board members failed to recuse themselves during the approval of the 2023-2024 original budget, 2023-2024 amended budget, and 2023-2024 salary approvals including the local supplement which benefits their relatives (certified teachers) as defined in *Mississippi Code Section 25-4-103(q)*.

Failure of the Board members to recuse themselves from the vote to rehire relatives within the third degree resulted in noncompliance with state law and regulations. Also, failure to separate the salaries of relatives within the third degree from the District's budgets and salary scales resulted in noncompliance with state law and regulations.

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

District's Response: The District will inform the members of the Board of Education, along with the Board attorney of the exceptions noted and ensure that Board members recuse themselves during any potential ethics violation. Furthermore, will discuss with the new members to avoid any potential future violations.

Repeat Finding: No.

Finding 5: The District Should Ensure Compliance with State Law Regarding Purchasing Procedures.

Applicable State Law: *Section 31-7-13(k)* states, "If the governing authority, or the governing authority acting through its designee, shall determine that an emergency exists in regard to the purchase of any commodities or repair contracts, so that the delay incident to giving opportunity for competitive bidding would be detrimental to the interest of the governing authority, then the provisions herein for competitive bidding shall not apply and any officer or agent of such governing authority having general or special authority therefor in making such purchase or repair shall approve the bill presented therefor, and he shall certify in writing thereon from whom such purchase was made, or with whom such a repair contract was made. At the board meeting next following the emergency purchase or repair contract, documentation of the purchase or repair contract, including a description of the commodity purchased, the price thereof and the nature of the emergency shall be presented to the board and shall be placed on the minutes of the board of such governing authority. Purchases under the grant program established under *Section 37-68-7* in response to COVID-19 and the directive that school districts create a distance learning plan and fulfill technology needs expeditiously shall be deemed an emergency purchase for purposes of this paragraph (k)."

Finding Detail: During the review of the District's Board minutes, the auditor noted that one emergency purchase was not approved at the next Board meeting after the purchase.

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

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

District's Response: The business manager and purchasing agent will review all documentation to ensure emergency purchases are approved at the next following Board meeting. The purchasing agent, business manager, and superintendent will meet before each meeting to ensure any applicable emergency purchases are presented at the next meeting, as required.

Repeat Finding: No.

Finding 6: The District Should Ensure Compliance with State Law Regarding Approval 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 depositories, the auditor noted that on June 5, 2023, the District approved its depository bids; however, the names of the depositories were not spread upon the Board order.

Failure to ensure the District’s depositories were properly Board approved resulted in noncompliance with state law.

Recommendation: We recommend the District ensure compliance by assuring the names of the District’s approved depositories are spread across the Board minutes, as required by state law.

District’s Response: The actual financial institutions selected will be listed in the minutes, not merely included in the attachments in the minute book.

Repeat Finding: Yes. Repeat 2019 Compliance Finding.

Finding 7: The District Should Ensure Compliance with State Law Regarding Scholarship Funds.

Applicable Administrative Decisions and Guidance: *MS AG Op., Allen at *1 (October 8, 1980)*. Provides in part, “We are unable to find any authority whereby the school board could administer a scholarship fund...”

Finding Detail: During the review of the District’s financial statements, the auditor noted the District has an investment account, Evon Trust, that includes scholarship funds and it is not included on the District’s financial statements.

Per *MS AG Op., Allen at *1 (October 8, 1980)*, there is no authority where the District is approved to do so.

Recommendation: We recommend the District ensure compliance by assuring that it does not maintain scholarship funds, as required by state regulations.

District’s Response: The current scholarship fund was bestowed to the District several decades ago through an irrevocable trust. The School Board Attorney is working with other agencies, including the Office of the State Auditor to legally discharge these funds.

Repeat Finding: Yes. Repeat 2022 CPA Finding.

Finding 8: The District Should Ensure Compliance with State Law Regarding the Purchase of Mississippi High School Activities Association (MHSAA) Statewide Passes.

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

Finding Detail: During the review of the District’s MHSAA statewide passes, the auditor noted the District paid for seven MHSAA statewide passes for the following individuals, without being reimbursed, totaling \$280:

- Four Board members;
- Two clerical staff; and
- One individual who is not employed at the District.

The purchase of MHSAA statewide passes for individuals not employed at the School District or for District employees other than the Coaches, Superintendent, Athletic Directors, Athletic staff, Band Directors, and Middle/High School Principals/Assistant Principals could result in an illegal donation.

Recommendation: We recommend the District ensure compliance by implementing adequate policies in regards to the payment for MHSAA statewide passes for its District personnel and not for non-District parties, to school sponsored events to avoid noncompliance with state law and regulations.

District's Response: The District will inform all schools that Board members, clerical staff, and volunteer coaches are not allowed state passes. Furthermore, the purchasing agent will not approve any purchase orders for such positions.

Repeat Finding: No.

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

Applicable State Law: *Section 25-11-127(4)* states, "...Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment..."

Applicable Administrative Guidance: *Mississippi Public Employment Retirement System (PERS) Board Regulations, Chapter 34, Reemployment after Retirement, Section 105, Notification Requirement and Failure to Comply with Regulation*, states, "To lawfully employ a PERS service retiree under Section 103, the employer must notify PERS in writing of the terms of the eligible employment within five days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of a \$300 penalty per occurrence payable by the employer..."

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

- Two PERS Form 4Bs did not have evidence of the retirees' complete retirement dates; and
- Seven PERS Form 4Bs were not submitted to PERS within five days of reemployment.

Failure to have adequate controls over the rehire of retirees resulted in noncompliance with state law.

Recommendation: We recommend the District ensure compliance by assuring Form 4Bs are completed correctly and are submitted to PERS within five days of rehire, as required by state law and regulations.

District's Response: The District began implementing new practices during the 2023-2024 school year to assist with compliance in this matter. Retirees that are typically reemployed each year (usually as substitutes, etc.) are mailed forms to complete prior to school beginning each year. Additional training and emphasis have been provided to administrators to enforce the importance of compliance within the five-day period.

Repeat Finding: Yes. Repeat 2019 Compliance Finding and Repeat 2022 CPA Finding.

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

Applicable State Law: *Section 25-4-25(1)(b)* states, “Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: (b) Members of local school boards that administer public funds, regardless of whether such members are elected or appointed.”

Section 25-4-29(1) states, “Required statements hereunder shall be filed as follows:

- (a) Every incumbent public official required by paragraphs (a), (b), (d) and (e) of Section 25-4-25 to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration;
- (b) Candidates for office required to file a statement hereunder shall file such statement within fifteen (15) days after the deadline for qualification for that public office;
- (c) Persons who are required to file a statement because of appointment to fill a vacancy in an office or required to file under Section 25-4-25(d) and (e) shall file such statement within thirty (30) days of their appointment;
- (d) No person by reason of successful candidacy or assuming additional offices shall be required to file more than one (1) statement of economic interest in any calendar year, except such official shall notify the commission as soon as practicable of additional offices not previously reported; and
- (e) The commission may, on an individual case basis, provide for additional time to file a statement upon a showing that compliance with a filing date set out under paragraph (a), (b), (c) or (d) above would work an unreasonable hardship.”

Section 25-4-29(2) states, "Any person who fails to file a statement of economic interest within thirty (30) days of the date the statement is due shall be deemed delinquent by the commission. The commission shall give written notice of the delinquency to the person by United States mail or by personal service of process. If within fifteen (15) days of receiving written notice of delinquency the delinquent filer has not filed the statement of economic interest, a fine of Fifty Dollars (\$50) per day, not to exceed a total fine of One Thousand Dollars (\$1,000), shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed..."

Finding Detail: During the review of the District’s SEIs, the auditor noted four Board members did not file a SEI for fiscal year 2024.

Failure to file a SEI could result in fines being assessed and a civil judgement being enrolled against the delinquent filer, as allowed by *Section 25-4-29(2)* and resulted in noncompliance with state law.

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

District’s Response: The District will add the annual completion of SEI forms to its School Board calendar prior to May 1st to ensure forms are completed timely. Furthermore, District Office staff will review the Ethics Commission website regularly before the deadline so Board members will be aware of the requirement.

Repeat Finding: Yes. Repeat 2019 Compliance Finding.

Finding 11: 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 37-9-31 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), with sufficient surety..."

Applicable Administrative Decisions and Guidance: *MS AG Op., Lamar, Jr., *1 (February 26, 2016)*. States in part: "...*1 The blanket bond should expressly identify and include each and every office or position required by law to be bonded, as well as those positions for which bonds are discretionary."

School Board Policy: *Section D, Fiscal Management, Policy Code DJEA, Purchasing Authority*, states, "“Purchasing agent” shall mean superintendent. Pursuant to the authority granted by *Section 37-39-15, Mississippi Code 1972* as amended, this school board hereby designates other individuals as "purchasing agents" subject to the limitations set forth below.

1. In addition to the superintendent the school board hereby designates the assistant superintendent, purchasing manager and business manager as "purchasing agents" 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.
2. This school board hereby designates the school principals and as "purchasing agents" with the limited authority to negotiate for and purchase commodities and services necessary for the operation of their schools with the activity funds for which they are responsible as defined in board policy DK Student Activities Fund Management, subject to all purchasing laws."

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

- One principal was covered by a continuation certificate instead of an official surety bond;
- The business manager's bond was for an indefinite time period;
- Three individuals designated by Board policy as purchasing agents were not bonded:
 - Two principals;
 - Previous superintendent;
- Two individuals are bonded as purchasing agents; however, Board policy does not designate them as such:
 - Director of operations;
 - Food service director;
- The District's blanket bond does not list the employee's positions and names the bond covers; and
- The District did not make finding upon its minutes that the cash collection for the following positions is incidental to his or her employment and 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:
 - Thirteen cafeteria cashiers; and
 - Five bookkeepers.

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 that the District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by state law.

District’s Response: The District has corrected the use of indefinite bonds, continuation certificates, and riders surety bonds for FY 25. We are also in the process of reviewing our Board policies and will ensure the individuals designated purchasing agents are those that are bonded as such. The District does have a blanket bond that covers cashiers and bookkeepers but will work with the underwriter to ensure the appropriate individuals are named.

Repeat Finding: No.

End of Report