

VICKSBURG-WARREN SCHOOL DISTRICT  
**MISSISSIPPI**

**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

Date

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

Vicksburg-Warren School  
District  
1500 Mission 66  
Vicksburg, MS 39180

Dear Members of the **Vicksburg-Warren School Board**:

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

1. Strengthen Internal Controls Regarding Bank Statements and Investments Reconciliations;
2. Strengthen Internal Controls Regarding Superintendent's Signature;
3. Strengthen Internal Controls Regarding Maintaining and Preparing Board Minutes;
4. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approval and Expenditures;
5. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Travel Reimbursements;
6. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Booster Clubs;
7. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Education Enhancement Fund (EEF) Procurement Cards;
8. Ensure Compliance with State Law Regarding Board Member Nepotism and Ethics;
9. Ensure Compliance with State Law Regarding Purchasing Procedures;
10. Ensure Compliance with State Law Regarding Credit Card Usage;
11. Ensure Compliance with State Law Regarding the Purchase of Tickets for Athletic/Extracurricular Events and the Purchase of Mississippi High School Activity Association (MHSAA) Passes;
12. Ensure Compliance with State Law Regarding Board and Superintendent Oversight of Its Athletic Department;
13. Ensure Compliance with State Law Regarding Salary Scales;
14. Ensure Compliance with State Law Regarding Sixteenth Section Shared Townships;
15. Ensure Compliance with State Law Regarding Sixteenth Section Educable Child Lists;
16. Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees; and
17. 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 **Vicksburg-Warren 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". The signature is fluid and cursive, with the first name being the most prominent.

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 **Vicksburg-Warren 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 *material weaknesses* in internal control. These matters are noted under the heading **MATERIAL WEAKNESS**. We identified certain deficiencies in internal control that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **SIGNIFICANT DEFICIENCIES**. We also identified *other deficiencies* that we have noted under the heading **OTHER DEFICIENCIES**.

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

Terms used in this Report.

- AGO – Attorney General’s Office
- DFA – Mississippi Department of Finance and Administration
- District – Vicksburg-Warren 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 Bank Statement and Investment 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:** *Mississippi Department of Education Policy Manual, Chapter 71, School Business Officials, Rule 71.3, Required Monthly Reports to be Furnished to Local School Board, (1)(a) Reconciled Bank Statements*, states, “All bank statements should be reconciled within 30 days of receipt. Presentation of reconciled bank statements should be made at the next regular board meeting after the bank statements are reconciled. Bank statements should be

reconciled to the district’s general ledger cash balances in a timely, accurate manner. In lieu of actual bank reconciliations, a certification from a designated individual listing all current district bank accounts by name, the specific time period covered, and a statement that the accounts have been reconciled is acceptable. Districts submitting a certification to the board should also submit a summary of the bank reconciliations. Full bank reconciliations should be available for review at the board meeting if requested. A copy of the certification and the summary should be made a part of the board minutes.”

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

- Four bank accounts were not properly reconciled to the general ledger’s cash balance resulting in a difference, totaling **(\$2,446,212)**:
  - District Maintenance – **(\$89,953)**;
  - Debt Service – **(\$444)**;
  - Accounts Payable – **(\$34,387)**; and
  - Capital Projects – **(\$2,321,428)**.
- The District’s investment account, totaling **\$11,296**, was not reconciled monthly for fiscal year 2024.

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

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

**District’s Response:** Over the past several years, the district has experienced significant employee turnover in key financial roles. Additionally, the Board has approved to increase the minimum qualifications for several financial roles to include a bachelor’s degree specifically in accounting.

**Repeat Finding:** Yes. Repeat 2019 Compliance Finding.

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## SIGNIFICANT DEFICIENCIES

**Finding 2:** The District Should Strengthen Internal Controls Regarding the Superintendent’s Signature.

**Internal Control Deficiency:** An effective system of internal controls, requires digital signatures to only be affixed to documentation by the individual authorizing such documents.

**Finding Detail:** During the review of the District’s employees’ contracts and purchase orders, the auditor noted the following exceptions:

- The superintendent did not review purchase orders before approval;
- The superintendent did not review employees’ contracts before approval;
- The superintendent’s electronic signature is affixed by the accounts payable clerk to all purchase orders;
- The superintendent’s signature stamp is utilized by both the Director of Human Resources and his secretary to stamp all employee contracts; and

- The District’s MUNIS accounting software is unable to determine which users utilize the superintendent’s electronic signature.

Failure to ensure the District’s purchase orders and contracts are reviewed and approved by the superintendent, and lack of controls surrounding the use of the Superintendent’s signature could result in fraud, loss, or misappropriation of public funds.

**Recommendation:** We recommend the District ensures the superintendent is the only employee that can affix his signature to contracts and purchase orders after he has reviewed and approved them. Also, we recommend that the District implement adequate policies and controls regarding the use of the superintendent’s signature stamp and electronic signature.

**District’s Response:** The Director of Accounting and the purchasing coordinator will review all documentation for purchases. The signature in Munis will be updated to reflect final approval of purchase orders by the Director of Accounting. The superintendent’s signature will be applied to contracts after review. The superintendent’s review and Board approval of claims docket serves as approval of all checks issued.

**Repeat Finding:** Yes. Repeat 2019 Compliance Finding.

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**Finding 3:** The District Should Strengthen Internal Controls Regarding Maintaining and Preparing Board Minutes.

**Internal Control Deficiency:** Management is responsible for ensuring the assets of the District are safeguarded, and transactions are properly documented and recorded in the School District’s board minutes. A critical aspect of internal controls includes numbering the Board minute pages.

**Finding Detail:** During the review of the District’s Board minutes, the auditor noted the official Board minutes were not numbered.

Inadequate internal controls surrounding the maintenance and preparation of the Board minutes could result in the state law and regulations being circumvented.

**Recommendation:** We recommend the District strengthen internal controls by ensuring that all Board minutes pages are correctly numbered.

**District’s Response:** The District will implement internal controls to ensure Board minutes are adequately numbered to provide for proper documentation of official Board minutes.

**Repeat Finding:** Yes. Repeat 2019 Compliance Finding.

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## **OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW**

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

**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 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:

- The following five funds did not have budgeted expenditures for fiscal year 2024:
  - Fund 2712 (Voc Fed);
  - Fund 2901 (J-D-C);
  - Fund 2921 (AED Grant);
  - Fund 3900 (NRCS Army); and
  - Fund 4023 (ED Facil 2010).
- On September 26, 2024, the Board approved the **2023-2024** amended budget that included the following three funds negative fund balance at year-end totaling **(\$174,676)**:
  - Alternative School Fund (1140) – **(\$500)**;
  - ARP Homeless Fund (2609) – **(\$160,285)**; and
  - Capital Projects COP19 Fund (3030) – **(\$13,891)**.

Failure to ensure there are available resources for all expenditures could result in deficit fund balances. Also, the actual fund balances were not negative at **June 30, 2024** except for six funds (Title I-A, VOC ED, Capital Projects Bond, Capital Projects Bond 2019A, Capital Project COP, and GO Bond 2019A) totaling **(\$922,751)** ; however, the approval of fund budgets with ending deficit fund balances could result 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 Board. A thorough review of such budgets should be made prior to being presented to the Board for approval.

**District’s Response:** The District will make every effort to ensure fund balances are accurate. In regards to the budgeted expenditures the district did not receive grant awards or notification of changes until after the combined and combining budget was presented. The negative fund balances for capital projects and title funds were balances from prior years. However, the district will work to see out those balances can be rectified.

**Repeat Finding:** No.

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**Finding 5:** 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, (1-7)* states,

- “1. The Superintendent ONLY is authorized to approve travel advances.

2. The Superintendent shall comply with all rules and regulations of the Mississippi Department of Audit regarding travel advances.
3. The Superintendent shall comply with the Mississippi Department of Finance and Administration daily limits on expenditures for meals.
4. All official travel must be preapproved.
5. Persons receiving advances must be officers or employees of the school district.
6. Travel advances may not be used for personal expenses or for any purpose other than the actual expenses of the authorized travel.
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 except meals and travel in personal vehicles are 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:

- One travel voucher did not have corroborating evidence included in the documentation provided to verify the purpose of the travel;
- One travel voucher was not properly signed or approved for payment;
- One travel advance documentation was not turned in within five working days after the end of the month of travel, as required by Board policy; and
- Seven travel advances were not approved by the superintendent, as required by Board policy.

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:** The District has implemented a procedure which tracks employees travel and expected date of return. Additionally, in an effort to comply with Board policy all documentation will be reviewed to determine if appropriate signatures have been obtained prior to releasing travel advances.

**Repeat Finding:** No.

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**Finding 6:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Booster Clubs.

**Internal Control Deficiency:** Management is responsible for properly safeguarding the assets of the District. The School Board of each public-school district is required to develop policies and establish policies that comply with booster club requirements.

**School Board Policy:** *Section J, Students, Policy JHA, Booster Clubs*, states in part:

“...Booster clubs may not use the school tax ID# for purchases...”

“...For school audit purposes, booster clubs must complete and turn in the following information to the principal by August 1 each school year:

1. List of club officers for both the upcoming and previous years.
2. Request for approval of all fundraisers for the upcoming school year (include date(s) and specific information pertaining to each fundraiser).
3. Semi-annual financial report to properly review the financial health of external support organizations. The external organization shall also provide additional financial statements upon requesting financial assistance with sponsored activities.
4. All meeting minutes from the previous year...”

“...No district employee may represent a booster club as an officer...”

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

**Finding Detail:** During the review of the District’s depositories and booster clubs, the auditor noted the following exceptions:

- An open bank account for the Vicksburg High School (VHS) JROTC booster club is under the District’s federal tax identification number. Consequently, these private funds within this bank account are not reported within the District’s accounting and financial statements;
- Officers, financial statements, and minutes were not presented to the Principal by August 1<sup>st</sup>; and
- The signor on the VHS JROTC booster club bank account is an employee of the District.

Failure to present the officers, financial statements, and minutes to the Principal by August 1 and ensure employees are not officers on the District’s booster clubs is a violation of the District’s Board policy. Also, due to the Board’s lack of responsibility taken in regards to this booster club, the District is in noncompliance with *MS AG Op., Shuler \*1 (October 19, 1988)*.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by ensuring the booster club funds do not use the District’s federal tax identification number and the District’s employee is removed as signor on the booster club bank account.

**District’s Response:** The District will ensure that all booster clubs are in compliance with the law and/or Board policy. This shall include removal of District employees from boards, bank accounts and requiring booster to submit all documentation each year.

**Repeat Finding:** No.

**Finding 7:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Education Enhancement Fund (EEF) Procurement Cards.

**Internal Control Deficiency:** An effective system of internal control requires a complete and accurate roster for the distribution of Education Enhancement Fund Cards. Each year, completed Teacher Cardholder Agreements should be maintained by each District’s program coordinator, and emailed to the Mississippi Department of Education.

**Applicable State Law:** *Section 37-61-33(3)(a)(iii)* states, “...Local school districts shall issue such credentials or procurement cards to classroom teachers at the beginning of the school year, but no later than August 1 of each year, and shall be issued in equal amounts per teacher determined by the total number of qualifying personnel and the current state appropriation for classroom supplies with the Education Enhancement Fund. After initial cards are issued under the timeline prescribed by this section, the State Department of Education may issue cards to districts for any classroom teacher hired after July 1 under a timeline prescribed by the State Department of Education. Such credentials or cards will expire on a predetermined date at the end of each school year, but not before April 1 of each year...”

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

- Thirteen cardholder agreements were signed after August 1<sup>st</sup>; and
- The District could not provide the auditor with a roster of teachers who received EEF procurement cards.

Failure to issue the EEF procurement cards by August 1st resulted in noncompliance with state law.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by assuring all roster and cardholder agreements are signed and completed, as required by state law.

**District’s Response:** Over the past several years, the district has seen a significant increase in employee turnover in key financial roles. The district will implement procedures to ensure for the distribution of EEF cards prior to August 1<sup>st</sup> and maintain all relevant information relative to rosters and cardholders.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 8:** The District Should Ensure Compliance with State Law Regarding Board Member Nepotism and Ethics.

**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 14-028-E* provides, “... if the Board member and relative are indeed financially independent, there is no violation of *Section 109, Mississippi Constitution of 1890*, or *Section 25-4-105(2), Mississippi Code of 1972*, should occur, but the Board Member must recuse himself or herself

from any matter which would result in a pecuniary benefit to the relative, in compliance with *Section 25-4-105(1), Mississippi Code of 1972.*”

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

- One Board member voted on the rehire of their nephew as a certified teacher; and
- One Board member voted on the salary scale and budget that included local supplement and their son’s salary as a certified teacher.

Failure to ensure Board members do not vote on the rehire recommendations of relatives within the third degree, and to ensure the Board minutes reflect the Board members recusal during any actions concerning their relatives, resulted in noncompliance with state law.

**Recommendation:** We recommend that the District ensure compliance by assuring all personnel procedures are in compliance with state law.

**District’s Response:** In response to this finding, prior to every Board meeting the superintendent will ask each board member to review the personnel for any relatives that may be affected by their vote. If they find a relative on the agenda, they will be asked to report that relative to the superintendent. The superintendent will work with the board president to ensure said board member leaves the room. Also, the board will receive reminders yearly at our board retreat about the law surrounding nepotism. Acknowledgement of this training will be spread across the minutes at the subsequent board meeting.

**Repeat Finding:** No.

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

**Applicable State Law:** *Section 31-7-13(b)* states, “Bidding procedure for purchases over \$5,000.00 but not over \$75,000.00. 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 once each week two (2) consecutive weeks in a regular newspaper published in the county or municipality in which such agency or governing authority is located. However, all American Recovery and Reinvestment Act projects in excess of Twenty-five Thousand Dollars (\$25,000.00) shall be bid. All references to American Recovery and Reinvestment Act projects in this section shall not apply to programs identified in Division B of the American Recovery and Reinvestment Act.”

*Section 31-7-13(d)(i)* states, “. . .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 31-7-13(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).”

*Section 31-7-13(o)* states, “No contract or purchase as herein authorized shall be made for the purpose of circumventing the provisions of this section requiring competitive bids, nor shall it be lawful for any person or concern to submit individual invoices for amounts within those authorized for a contract or purchase where the actual value of the contract or commodity purchased exceeds the authorized amount and the invoices therefor are split so as to appear to be authorized as purchases for which competitive bids are not required....”

*Section 31-7-113* states, “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)* 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 37-39-1(b)* states, ““Purchasing agent” shall mean the superintendent, or other individual or individuals designated by the school board or by the school boards acting jointly as its agent or agents to negotiate and make private contract or to purchase.”

**Applicable Administrative Guidance:** Office of the State Auditor, Purchasing, Purchase Order Guidelines, Item 8, states, “Monthly open purchase orders have special rules. A monthly or open purchase order may be issued to any vendor in an amount not to exceed \$5,000 per vendor per calendar month or for amounts exceeding \$5,000 per month to any vendor for which the price of commodities to be purchased has been previously established by quotes, advertised bids, term bids, or DFA State contracts or ITS EPL contracts. Each individual delivery, load or shipment purchased must be properly requisitioned and received.”

**School Board Policy:** *Section D, Fiscal Management, Policy Code DJEA, Purchasing Authority*, “ ‘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 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 Assistant Superintendent and designated agents as "purchasing agents" with the limited authority to negotiate for and purchase commodities and services for their specific areas of responsibility within the limits of budget and purchasing law.
3. This school board hereby designates the school principals and directors 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 purchasing expenditures, the auditor noted the following exceptions:

- Five vendor purchases totaling **\$148,213** did not have two bids/quotes:
  - Anthony B. Powell **\$52,810;**
  - Barnes Glass **\$11,671;**
  - Barnes Glass **\$ 9,826;**
  - Prescott's Air Conditioning **\$10,318;** and
  - Prescott's Air Conditioning **\$63,588.**
- One hundred and twenty-eight claims totaling **\$99,406** were split to circumvent the bid/quote requirements:
  - Fifty-three Barnes Glass **\$48,346;** and
  - Seventy-five Prescott Air Conditioning **\$51,060.**
- The Board approved one vendor purchase as other than the lowest bid; however, justification for the purchase was not spread across the Board minutes;
- On October 1, 2024, the associate superintendent instructed the business manager and accounts payable clerk to pay six purchase orders as emergency purchases; however, per review of the Board minutes, the Board did not approve these emergency purchases at the Board meeting following the purchase;
- Five invoices were not paid within 45 days of being received;
- The District utilizes open purchase orders; however, many of the open purchase orders exceed **\$5,000** where two bids/quotes should be obtained;
- There was no evidence of publication soliciting bids nor Board approval for its custodial services with ABM Industry Groups, LLC, totaling **\$1,853,538** annually;
- There were 24 vendor payments totaling **\$137,290** that were held due to the invoices being dated prior to purchase orders and/or requisitions being issued, and two bids/quotes were not obtained, which is not in compliance with the Board's policy and state purchasing laws. However, the associate superintendent instructed the accounts payable clerk to pay the vendors regardless. The associate superintendent negotiates with vendors although he is not bonded or designated by the Board as a purchasing agent;
- The District's Maintenance Department includes the maintenance director, one assistant maintenance supervisor, two maintenance service technicians, one plumber, and five multi-trades/utility workers that are responsible for various maintenance District-wide. However, the District paid Barnes Glass for maintenance repairs for fiscal year 2024, totaling **\$119,975;**
- The Board approved an HVAC maintenance contract with Star Service, Inc. totaling **\$875,044;** however, the District did not have evidence of all bids obtained from the other vendors;
- Although the Director of Child Nutrition is not a purchasing agent, this position has been responsible for purchases, obtaining cellphones, and communicating with vendors for the child nutrition department;

- Although the technology director is not a purchasing agent, this position has been responsible for obtaining cellphones, apple watches, Ipads, laptops, and other devices, and is the only person able to communicate with the vendor; and
- The maintenance director accepted bids/quotes from four separate vendors for mowing within the District; however, this position is not bonded as a purchasing agent and should not negotiate with vendors. Also, each vendor submitted one bid/quote to the maintenance director; instead of two bids/quotes being submitted per school location:
  - Glen Hicks           \$ 45,140;
  - Donald Smith       \$ 59,475;
  - Reginald Johnson \$126,525; and
  - Brandon Palmer   \$ 72,800.

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:** Over the past several years, the district has experienced significant employee turnover in key financial roles. Several of the contracts and/or purchases referenced were in place prior to the current administration assuming office. However, current financial employees will attend mandatory training in their respective areas.

**Repeat Finding:** No.

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**Finding 10:** The District Should Ensure Compliance with State Law Regarding Credit Card Usage.

**Applicable Administrative Guidance:** *Mississippi DFA Procurement Manual, Chapter 10, Special Procedures, 10.111.04, Procurement Card Program Exception*, states, “...If a governing authority establishes the fact that the Small Purchase Procurement Card cannot or will not meet the needs of the governing authority, the governing authority may submit a request for approval from their governing board to establish their own Procurement Card program by following the procedures established in *Section 3.107, Competitive Sealed Proposals*. Approval of such action shall be placed on the minutes of the board of the governing authority and a copy of the approval sent to the Office of Purchasing, Travel Fleet Management.”

*Mississippi DFA Procurement Manual, Chapter 10, Special Procedures, 10.112.03, Merchant – Specific Credit Cards*, states, “...Governing authorities desiring to obtain a merchant specific credit card shall submit to their governing board for approval, written justification for the need of a merchant specific credit card. Approval of such action shall be placed on the minutes of the board of the governing authority.”

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

- The Board did not establish its own procurement card program; however, the District utilized a Capital One Trade credit card; and
- The Board did not approve the use and justification for its merchant - specific credit cards (Home Depot, Walmart, and Hobby Lobby).

Failure to have adequate controls regarding the District’s procurement card purchases could result in waste, fraud, and abuse of public funds. Also, failure to approve its own procurement card program and the use and justification of merchant-specific credit cards, resulted in noncompliance with state law and regulations.

**Recommendation:** We recommend the District ensure compliance with state regulations in regards to obtaining, maintaining, and the usage of other procurement cards and merchant-specific credit cards.

**District's Response:** The district will terminate all merchant-specific credit cards. The district shall obtain through the Department of Finance and Administration a Small Purchase Procurement card for any emergency purchases. Additionally, the district has implemented a procedure for monthly reconciliation of credit card purchases.

**Repeat Finding:** No.

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**Finding 11:** The District Should Ensure Compliance with State Law Regarding the Purchase of Tickets for Athletic/Extracurricular Events and the Purchase of Mississippi High School Activity Association (MHSAA) 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...”

**Applicable Administrative Decisions and Guidance:** MS Ag. Op., Mayfield at \*1 (September 30, 2011). States in part, “Pursuant to Section 96, teachers who are current under contract to perform services during the school year may not be given extra compensation using state dollars for services rendered which are already covered by the contract. MS AG Op., Adams (January 10, 2003). If teachers have already contracted with the school district and part of their contractual duties include working games and extra-curricular activities, Article 4, Section 96 of Mississippi Constitution prohibits the school district from using state dollars to compensate the teachers for services rendered which are already covered by the contract.”

MS AG Op., Thomas at \*1 (June 9, 1993). Provides in part, that the United States coins and currency are legal tender for all debts, public charges, taxes, and dues. Therefore, the District must give the public more than one option as a means for obtaining tickets to all athletic/extracurricular events.

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

- District utilized only one system, electronic ticket sales, for taxpayers to purchase tickets for athletic events. Only providing this system prohibits taxpayers from purchasing tickets at the gate without additional fees. A government entity should allow electronic ticket purchases as a voluntary option; and
- The District paid for Mississippi High School Activity Association (MHSAA) statewide passes for the following employees without being reimbursed, totaling **\$240**:
  - One Board member;
  - One videographer;
  - One assistant videographer;
  - One communication specialist;
  - One assistant communication specialist; and
  - One non-District individual.

Failure to ensure legal tender is accepted as payment for athletic/extracurricular events resulted in noncompliance with state laws and regulations. Additionally, failure to ensure to be reimbursed for the purchase of MHSAA statewide passes for District employees other than the coaches, superintendent, athletic director, and high school and middle school principals could result in an illegal donation.

**Recommendation:** We recommend the District ensure compliance by assuring it provides the public with more than one option (electronic ticket sales) as a means for obtaining tickets to all athletic/extracurricular events. Also, we recommend

the District implement adequate policies and procedures in regards to payment of MHSAA statewide passes of its personnel to school-sponsored events to avoid making an illegal donation to public servants.

**District’s Response:** In response to this finding, the district will have tickets available for purchase with cash at the district office every Monday from 11:00 a.m. to 2 p.m. Tickets will be available for every event held during that week. The athletic department will follow all District and state policies regarding daily cash deposits after ticket sales have concluded.

In response to the MHSAA statewide passes, the district will only purchase statewide passes for Board members, building-level administrators and coaches. District employees required to be at games will have to purchase a statewide pass through the athletics department. Acknowledgement of this fee will be placed in the employee’s job description and signed off on by the employee.

**Auditor’s Note:** As stated above, purchasing statewide passes for District employees other than the coaches, superintendent, athletic director, and high school and middle school principals could result in an illegal donation.

**Repeat Finding:** No.

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**Finding 12:** The District Should Ensure Compliance Regarding Board and Superintendent Oversight of Its Athletic Department.

**School Board Policy:** *Section D, Fiscal Management, Policy Code DJEA, Purchasing Authority*, “ ‘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 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 Assistant Superintendent and designated agents as "purchasing agents" with the limited authority to negotiate for and purchase commodities and services for their specific areas of responsibility within the limits of budget and purchasing law.
3. This school board hereby designates the school principals and directors 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.”

**Applicable State Law:** *Section 37-7-301(s)* states, “...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-of-state school-related programs, conventions or seminars and/or any commodities, equipment, travel expenses, purchased services or school supplies which the local school 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. Activity funds may be used to pay travel expenses of school district personnel. The local school governing board shall be authorized and empowered to promulgate rules and regulations specifically designating for what purposes school activity funds may be expended. The local school governing board shall provide (i) that such school activity funds shall be maintained and expended by the principal of the school generating the funds in individual bank accounts, or (ii) that such school activity funds shall be maintained and expended by the superintendent of schools in a central depository approved by the board. The local school governing board shall provide that such school activity funds be audited as part of the annual audit required in *Section 37-9-18*. The

State Department of Education shall prescribe a uniform system of accounting and financial reporting for all school activity fund transactions.”

*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...”

*Section 37-9-43* states, “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 Decisions and Guidance:** *MS AG Op., Randolph* at \*1 (March 7, 1997). States in part, “...herein *MS AG Op., Garner (February 2, 1996)* which refers to *MS AG Op., Jenkins (May 17, 1991)* and *MS AG Op., Jenkins (May 31, 1991)*. These opinions state that there is no authority for a municipality to pay service charges or other charges for credit card service; however, a municipality may accept payment by credit card if such means of payment is voluntary option and any service charges are recouped.”

“\*1 In accord with the above cited opinions, the school district may accept payment by credit card so long as any service charges are recouped from the individual.”

*MS AG Op., Henderson* at \*1 (December 6, 2002). Provides that pay certificates may be issued by the Superintendent without prior approval of the school board on the payment of specific claims in accordance with exceptions noted within *Section 37-9-14(7)*, such as “teacher’s salaries, salaries of drivers of publicly owned school buses, travel advances, amounts due private contractors or other obligations where the amount thereof has been previously approved by a contract or by an order of the school board entered upon its minutes, or by inclusion in the current fiscal year budget...”

*Mississippi Public School Accountability Standards, Process Standards, Administration and Personnel (1)*, states, “The local school board and the superintendent of schools shall exercise due diligence in performing the respective duties of each office in accordance with applicable law. The local school board’s responsibilities shall pertain to matters of setting policy and shall not interfere in the day-to-day operations of the School District that include, but are not limited to, such duties as those relating to personnel and management decisions...”

*Mississippi Public School Accountability Standards, Process Standards, Administration and Personnel (1.1)*, states, “The school board assigns all executive and administrative duties to the superintendent, who is properly licensed and chosen in the manner prescribed by law...”

*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 Dragonfly payments, the auditor noted the following exceptions:

- The superintendent nor business manager have access to the Dragonfly account; therefore, there was no oversight of the payments;
- The athletic director paid 21 certified employees through Dragonfly without Board approval or supplemental contracts, totaling **\$3,857**. Additionally, these payments were not included within the employees’ W-2;
- The athletic director paid three non-certified employees through Dragonfly without Board approval or at-will contracts, totaling **\$610**. Additionally, these payments were not included within the employees’ W-2;
- The athletic director paid six individuals through Dragonfly as crew workers and announcers, totaling **\$2,238**; however, they were not Board approved hires and there was no evidence of at-will contracts nor background checks, as required by state law. Additionally, there were no 1099s issued to these individuals;
- The athletic director authorized disbursements prior to Board approval and was not designated nor bonded as a purchasing agent; and
- The District paid a **\$2.00** processing fee for each transaction performed within Dragonfly, totaling **\$472**.

Lack of appropriate oversight and appropriate “tone at the top” leadership can lead to fraud, waste, and abuse and resulted in noncompliance with state law and regulations.

**Recommendation:** We recommend the District ensure compliance by assuring the Board and superintendent provide more effective and appropriate oversight over its Athletic Department. We recommend the implementation of new controls, policies, and procedures where necessary. We wish to emphasize the importance of appropriate “tone at the top” leadership.

**District’s Response:** The District office has been granted access to the DragonFly portal. The district will include the athletic director as a bonded agent for the District, and will implement procedures which will ensure District employees and/or contractors are paid in the correct manner.

**Repeat Finding:** No.

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**Finding 13:** The District Should Ensure Compliance with State Law Regarding Salary Scales.

**Applicable State Law:** *Section 37-19-7(1)* provides that the salaries of teachers in each public school district shall be determined and paid in accordance with the scales for teachers’ salaries as provided in this subsection, which is based on their type of license and number of years of teaching experience.

*Section 37-151-91* states, "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."

**Finding Detail:** During the review of the District’s salary scales and contracts, the auditor noted the following exceptions:

- The Board did not approve the District’s salary scale for the 2024 fiscal year; therefore, the salaries paid to the District’s employees have been based on the salary scale that was Board approved on June 30, 2022, which could result in underpayment; and
- Rather than the Board members and superintendent determining the salaries for new positions, the Director of Human Resource makes these determinations.

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

**Recommendation:** We recommend the District ensure compliance by assuring all salaries are paid according to the Board approved salary scales, as required by state law.

**District's Response:** In response to this finding, the district will include on the cover page of the salary scales a column showing the yearly Board approval date. The approval of the scales will also be added to the Board's annual calendar to ensure the law is followed yearly.

Additionally, to ensure the pay scales are being followed there will be a column added to reflect what scale employees are paid from on the Board agenda. The deputy superintendent will ensure the scale is followed and information for pay is included on the monthly personnel recommendation before being submitted to the board.

**Repeat Finding:** No.

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**Finding 14:** The District Should Ensure Compliance with State Law Regarding Sixteenth Section Shared Townships.

**Applicable State Law:** *Section 29-3-119(4)* states, "The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the "custodial school district") shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district's pro rata share of the available township funds, as determined from the lists of children prepared pursuant to *Section 29-3-121*, promptly after collecting such funds. The custodial school district shall make its books and records pertaining to the income and funds of any shared township available for inspection and copying to all other school districts sharing in the income from the township upon reasonable notice of such request. Any district entitled to such funds which is not paid promptly may assert a claim against the custodial school district for its share of the funds not later than twelve (12) months from the end of the calendar year in which the custodial school district collected such funds."

**Finding Detail:** During the review of the District's sixteenth section revenue, the auditor noted there was no sixteenth section revenue shared with neighboring school districts (Hinds, Claiborne, and South Delta School Districts) within the District's shared township by year-end for fiscal years **2023** and **2024**.

Failure to properly share sixteenth section revenue as the custodial school district could result in the misappropriation of public funds and resulted in noncompliance with state law.

**Recommendation:** We recommend the District ensure compliance by assuring all sixteenth section revenue is promptly shared with the appropriate school districts within its shared township, as required by state law.

**District's Response:** Over the past several years, the District has seen a significant increase in employee turnover in key financial roles. The district has implemented procedures to ensure this information is filed and shared with corresponding districts prior to the deadline each year.

**Repeat Finding:** Yes. Repeat 2019 Compliance Finding.

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**Finding 15:** The District Should Ensure Compliance with State Law Regarding Sixteenth Section Educable Child Lists.

**Applicable State Law:** *Section 29-3-121* states, "It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education

for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year, and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year, as provided by Section 29-3-119...”

**Finding Detail:** During the review of the District’s educable child lists, the auditor noted the following exceptions:

- There was no evidence that the educable child lists for the **2022-2023** school year were filed; and
- Educable child lists for the **2023-2024** school year were not filed until September 18, 2024.

Failure to file the educable child lists with the custodial school district could result in forfeiting funds that the District would otherwise be entitled to and resulted in noncompliance with state law.

**Recommendation:** We recommend the District ensure compliance by assuring all educable child lists are prepared and filed with the superintendents of each custodial district by December 31<sup>st</sup> of each year, as required by state law.

**District’s Response:** Over the past several years, the district has seen a significant increase in employee turnover in key financial roles. The District has implemented procedures to ensure this information is filed and shared with corresponding districts prior to the deadline each year.

**Repeat Finding:** Yes. Repeat 2019 Compliance Finding.

**Finding 16:** 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:

- Two retirees were paid more than the salary amount allowed by PERS, totaling **\$65,968**;
- One PERS Form 4B was not submitted to PERS within five days of reemployment;
- Five PERS Form 4Bs did not evidence of the retirees’ complete retirement date; and
- One PERS Form 4B was not signed nor dated by the retiree.

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

**Recommendation:** We recommend the District ensure compliance by properly completing and submitting Form 4Bs to PERS, as required by state law.

**District’s Response:** In response to this finding, the District will require Form 4Bs to be included with the employee’s recommendation. Retired employees will not be allowed to work until the paperwork has been signed off by the deputy superintendent. Also, Form 4Bs will be included in the District’s employee handbook. The procedures required to return to work as a retiree will also be listed in the employee handbook.

**Repeat Finding:** Yes. Repeat 2019 Compliance Finding.

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**Finding 17:** 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 25-1-19(1)* states, “...The bonds 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, except that the original of the chancery clerk’s bond, after it is recorded, shall be deposited and filed in the office of the clerk of the circuit court.”

*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...”

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

- The District did not have evidence of bonding for all 16 of its principals or of filing them in the Chancery Clerk’s office;
- The business manager was not bonded although this position handles a material amount of the District’s public funds;
- The following bonds were not on file with the Chancery Clerk’s office until September 1, 2023 and November 9, 2023:
  - Five Board members;
  - Superintendent; and
  - Four purchasing agents.
- The District did not bond or make a finding upon its Board minutes that the work of employees as (bookkeepers and cashiers) 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; and

- The District’s purchasing authority policy designates the superintendent, assistant superintendent, business manager, and principals as purchasing agents; however, none of the District’s 16 principals are bonded as such.

Failure to comply with the state statute, by not being correctly and sufficiently bonded, could result in the loss of public funds and resulted in noncompliance with state law. Additionally, failure to ensure bonds are filed in the Chancery Clerk’s office in a timely manner resulted in noncompliance with state law.

**Recommendation:** We recommend the District ensure compliance by assuring all employees are correctly and sufficiently bonded and all bonds are filed in a timely manner, as required by state law. Additionally, the District should ensure employees are bonded according to Board – approved policies.

**District’s Response:** The business manager as well as all principals were bonded. The District will require the bonding agency to send all bonds to the District. This will ensure that all bonds are filed timely with the Chancery Clerk. Attached is documentation of all individuals bonded for the year.

**Auditor’s Note:** Documentation was not attached in order to verify that the business manager and principals were bonded for fiscal year 2024.

**Repeat Finding:** Yes. Repeat 2019 Compliance Finding.

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**End of Report**