

BILOXI PUBLIC SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

Limited Internal Control and Compliance Review Management
For the year ended *June 30, 2021*

SHAD WHITE
State Auditor

Stephanie C. Palmertree, CPA, CGMA
Deputy State Auditor
Charlotte L. Duckworth
Director, *Compliance Audit Division*



*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age, or disability.*



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

January 5, 2023

Limited Internal Control and Compliance Review Management Report

Biloxi Public School District
160 St Peter Street
Biloxi, MS 39530

Dear Biloxi Public School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Biloxi Public School District for the fiscal year 2021. In these findings, the Auditor's Office recommends the Biloxi Public School District:

1. Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations;
2. Ensure Compliance with State Law over Incentive Pay;
3. Ensure Compliance with State Law over Free Admissions and the Purchase of MHSAA Statewide Passes;
4. Ensure Compliance with State Law over Cellphone Reimbursements;
5. Ensure Compliance with State Law over Approval and Justification of Merchant-Specific Credit Cards;
6. Ensure Compliance with State Law over Travel Reimbursements;
7. Ensure Compliance with State Law over Advertisement for Tax Increase Publication;
8. Ensure Compliance with State Law over Sixteenth Section Lease Taxes; and
9. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by **January 19, 2023**. The enclosed findings contain more information about our recommendations. During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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

I hope you find our recommendations enable the Biloxi Public 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 "Stephanie C. Palmertree".

STEPHANIE PALMERTREE, CPA, CGMA
Deputy State Auditor
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the **Biloxi Public School District** for the year ended **June 30, 2021**.

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 controls over financial reporting that we consider to be *other deficiencies* in internal control. These matters are noted under the headings **OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

In addition, while performing our review, we noted certain instances of noncompliance with state law that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**. The Auditor's Office has also made a recommendation for management's consideration that it is not in violation of state law.

OTHER DEFICIENCIES AND INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 1: The School District Should Strengthen Internal Controls and Ensure Compliance with State Law over Bank Reconciliations.

Internal Control Deficiency: Management is responsible for ensuring that the assets of the District are safeguarded, transactions are properly recorded, and all bank account transfers are made in a timely manner. A critical aspect to balancing the District's bank account include ensuring funds are properly recorded in the correct bank accounts.

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

Finding Detail: During the testing of the School District's bank reconciliations, the auditor noted the following exceptions:

- Per inquiry of District personnel, some electronic payments made by the public were deposited in the incorrect bank accounts. This resulted in eight bank reconciliations with carry-forward balances of bank account transfers, in some cases since 2012. These account transfers were referred to by the District as inter-fund reconciling items that had not been cleared resulting in a net balance of **\$47**:

Bank Account	Bank Account	Amount
District Maintenance Bank Account	Due To Other Bank Accounts	\$(31,016)
District Maintenance Bank Account	Due From Other Bank Accounts	\$ 24,553

Child Nutrition Bank Account	Due To Other Bank Accounts	\$ (3,967)
Child Nutrition Bank Account	Due From Other Bank Accounts	\$ 12,401
Activity Fund Bank Account	Due To Other Bank Accounts	\$(28,151)
Activity Fund Bank Account	Due From Other Bank Accounts	\$ 52,306
Athletic Fund Bank Account	Due To Other Bank Accounts	\$(35,710)
Athletic Fund Bank Account	Due From Other Bank Accounts	\$ 9,077
Jr. High School Club Funds Bank Account	Due To Other Bank Accounts	\$ (7,085)
Jr. High School Club Funds Bank Account	Due From Other Bank Accounts	\$ 11,421
High School Club Funds Bank Account	Due To Other Bank Accounts	\$ (590)
High School Club Funds Bank Account	Due From Other Bank Accounts	\$ 2,771
Vocational Club Funds Bank Account	Due To Other Bank Accounts	\$ (5,327)
Vocational Club Funds Bank Account	Due From Other Bank Accounts	\$ 369
District Payroll Fund	Due To Other Bank Accounts	\$ (1,005)

Total \$ 47

- Transactions in five Regions bank accounts were not properly recorded within the District's general ledger, totaling **\$566**.

Inadequate controls surrounding bank account transfers and failure to record all transactions within the Regions bank accounts and within the District's general ledger 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 Biloxi Public School District strengthen controls and ensure compliance by implementing policies and procedures to ensure all bank account transfers are made in a timely manner and that transactions within the Regions bank accounts are properly recorded within the general ledger.

District's Response: The District strongly disagrees with this finding and especially that it is a "significant deficiency internal control".

The **\$556** in the five Region accounts is extremely immaterial and is still unknown as to how it was earned.

In accordance with the MDE Policy Manual, all bank accounts are reconciled and presented to the school board at each month's meeting. As part of that reconciliation process, the District ensures that all funds are deposited and recorded into the correct general ledger accounts to make certain that the financial statements presented to the board are correctly stated. Items accounted as outstanding transfers on the reconciliations are the result of deposits from online credit card transactions (Square) that must always post to the home account (Athletics) or from school bookkeepers not matching the correct deposit slip to the cash voucher sent to the business office for posting. Since all deposits were held in the District's bank accounts and the amounts owed between the accounts were itemized on the monthly reconciliations, the District properly reconciled the accounts. We had not physically made the transfers between bank accounts for some time due to their immaterial nature. The District has since made all transfers and will have no reconciling items on the January 2022 reconciliations. As reconciling items occur in the future, the District will make the transfers more frequently.

Auditor's Note: The following issues would constitute as a significant deficiency in internal controls surrounding the School District's bank reconciliation process:

- The School District had not settled some of its bank account transfers since 2012;
- Due to bookkeepers not matching deposit slips to cash vouchers, interest is being earned on revenue in bank accounts that belong in another account;

- The District does not know how the revenue is earned within the five Region Bank accounts; and
- The Assistant Business Manager was unable to provide documentation for all of the outstanding transfers.

It is the duty of Management to ensure all funds are properly recorded not only within the correct funds in the general ledger but also within the correct bank accounts.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The School District Should Ensure Compliance with State Law over Incentive Pay.

Applicable State Law: *Attorney General Opinion No. 2014 WL 3572777* states, “It is the opinion of this Office that a school board may adopt a policy to offer and pay certain incentives to its employees, including teachers, provided that such incentives are contracted for prior to the date when services are to be performed, are determined in accordance with objective standards of measurement and are earned by personal services performed by the employee.”

Article 4, Section 96 of the Mississippi Constitution provides the Legislature shall never grant extra compensations, 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;

Board Policy, GBAAC, Incentive Pay – Licensed Employees provides that: If the District receives an overall accountability rating of “A” as determined by MDE for the previous year, a performance-based incentive payment of \$1,000 will be added to the compensation of all licensed employees, excluding central office administrators.

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

- On March 17, 2021, the School Board adopted a policy to pay its certified employees, excluding central office employees/administrators, an incentive based on the District’s rating from the prior school year determined by Mississippi Department of Education (MDE), totaling **\$474,875**. These incentives were paid after the approval of their contracts; however, there was a written policy in place at the School District that defined who was eligible for the incentive pay and what the criteria for earning the pay involved. In order to be fully compliant with state law, the District would need to require all eligible teachers to sign a contract addendum prior to the period of performance of the service, and not rely fully on the written policy.
- The policy passed by the School Board did not include school administrators; however, there were 20 District employees also received the incentive pay. The Board did vote to approve payments to these individuals; however, these payments directly violated the School District’s policy.

The amount paid in violation of the Board policy totals **\$20,000**, and is comprised of payments made to the following:

- Assistant Business Director;
- Transportation Director;
- Public Relation Director;
- Technology Director;
- Purchasing Director;
- District’s Police Chief;
- Assistant Police Chief;
- Two District Officers; and
- Eleven School Nurses.

- There were 19 certified teachers that were hired for the 2020-2021 school year who were not employed by the District during the 2019-2020 school year in which the work performed to earn the “A” rating. These employees did not render the services that aided the District in becoming an A District but were issued payments, totaling **\$19,000**.

The District has not provided documentation to explain how the 19 newly employed teachers met the requirements of the AGO opinion mentioned above other than to define these payments as “incentives”. If these payments were not paid to teachers as a direct result of the “A” rating in the prior year, the District does not have an additional written incentive policy to justify these payments. The auditor cannot determine what service was performed in order to satisfy the requirements as defined by *Attorney General Opinion 2014 WL 3572777* and *Article 4, Section 96 of the Mississippi Constitution*.

Additionally, failure to ensure central office administrators and non-licensed employees did not receive the incentive pay resulted in a violation of Board Policy. If the District intends for these individuals to receive incentive pay, the Board should revise the existing policy to ensure compliance.

Recommendation: We recommend the Biloxi Public School District ensure compliance with state law by confirming contracts for incentives are properly executed prior to services are performed, the services are clearly defined and measurable, and that the defined services are performed. Additionally, the District should ensure Board approved policies do not conflict with Board approved actions.

District’s Response: The District began discussing staff incentive pay at the Feb 7, 2020 board meeting, with a first reading of an Incentive Pay board policy at the Feb. 20, 2020 meeting, and held a second reading and adoption at the March 17, 2020 meeting. This policy was written to follow the same procedures used by the MS Department of Education’s (MDE) incentive payment program as to specifically to include new and first year teachers. The District advertised and used this potential incentive pay as a recruiting and retention tool. As the District began its spring recruiting trips to our State universities, the incentive policy was promoted as a huge benefit for teachers to come and work at Biloxi Public Schools.

As the incentive payment relates to the District’s other non-licensed Exempt staff, the District did request and had approved by the School Board non-licensed Exempt staff receive the incentive at the Dec. 15, 2020 board meeting (minutes and exhibit attached). The District provided the School board with a listing of the non-licensed exempt staff who would receive said incentive. The District additionally had the Board policy revised to include the non-licensed exempt staff at its Dec 14, 2021 board meeting.

Biloxi Schools simply established an incentive policy to recruit and retain faculty and followed the same qualifications used by the MS Department of Education’s incentive program. The District advertised and promoted said incentive policy during recruiting. The District sought and obtained School Board approval prior to making the payments. The District secured a signed Incentive Pay Addendum Agreement from each compensated employee. The District does not deem it feasible to attempt to collect these payments from the first year teachers or the non-licensed exempt staff which the Board also approved to receive the incentive payments. Moving forward, the District will adjust its recruiting practice to exclude first year teachers from this program but unfortunately will lose the intended recruiting benefits.

Auditor’s Note: As stated within the District’s policy, the incentive program approved by the School Board was based on the District’s rating from the Mississippi Department of Education (MDE). This rating is based on services provided in the prior year, which is a direct violation of the Attorney General Opinion noted above. Additionally, the certified employees hired for the new fiscal year 2021 did not perform services to receive this incentive, which is required by state law. Although, the Board revised its policy to include non-licensed exempt staff, it was after the payments had already been made and the Board can’t retroactively change the policy. The District’s Management should be aware that no matter the intentions, a District’s Board Policy “Home Rule” should not conflict with and does not supersede state law and regulations.

Repeat Finding: No.

Finding 3: The School District Should Ensure Compliance with State Law over Free Admission to School-Sponsored Events and the Purchase of Mississippi High School Activity Association (MHSAA) Passes.

Applicable State Law: *Attorney General Opinion 2005 WL 832129*, provides that free admission to sporting and social events would not be permissible.

Attorney General Opinion 2011-00405 states, “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.”

State of Mississippi, Article 4, Section 96 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 School District’s activity/athletic funds, the auditor noted the following exceptions:

- All District’s personnel are allowed free entrance to all school – sponsored events by utilizing their district – issued badges. Failure to ensure free admission is not allowed to public employees to extracurricular activities could result in an illegal donation.
- The District paid for Mississippi High School Activity Association (MHSAA) statewide passes for the following employees, totaling **\$300**:
 - Five Board members;
 - Assistant Business Manager;
 - Two Elementary School Principals;
 - One Middle School Principal; and
 - Director of Career and Technical Education.

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 Principals could result in an illegal donation.

Recommendation: We recommend the Biloxi School District ensure compliance over game admissions by implementing policies and procedures in regards to the free admissions and the payment of MHSAA statewide pass of its personnel to school – sponsored events to avoid making an illegal donation to public servants.

District’s Response: The District does not agree a Board policy is needed to allow current employees to attend school events. The District School Board approved the admission of faculty members to athletic and extra-curricular events annually. This approval was obtained at the August 18, 2020 School Board meeting for FY 20-21. Having faculty at events assist greatly with the supervision of students and cultivates a District wide support system for students.

Auditor’s Note: The School Board’s approval to allow District’s employees free admission to home games does negate the requirements of the *Mississippi Constitution*, as it pertains to illegal donations. Per inquiry of District personnel, the District does not have a Board policy that requires its personnel to attend school – sponsored events at home or away. As noted above, the District needs a Board policy that demonstrates the benefit to the District for employees being allowed free admission to school – sponsored events, and the District should have a sign-in sheet placed at the gate for every employee

allowed entrance. Also, any other compensation awarded to employees outside of their board approved contract constitutes as an illegal donation to a public servant.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Law over Cellphone Reimbursements.

Applicable State Law: *Mississippi Attorney General Opinion 2014 WL 581520* requires that a governing authority may make reimbursements to its officers and employees for conducting the its business while using his/her personal mobile phone is a determination to be made solely by the governing authority itself. It would be incumbent upon the officer to itemize those call made in pursuit of the governing authority's business in his/her submission for reimbursement, along with any required supporting documentation.

Section 96, 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; but appropriations may be made of expenditures in repelling invasion, preventing or suppressing insurrections."

Finding Detail: During the review of the School District's Board minutes and general ledger, the auditor noted the following: On May 14, 2020, the School Board approved cellphone supplements for all administrators and principals in lieu of purchasing cellphones for conducting school business, totaling **\$23,025**. Cellphone statements are not reviewed by Management to verify business use. The law cited above uses the term "reimbursement" and not stipend, indicating that the amount must first be paid by the employee and only actual usage paid by the District.

Failure to ensure the Board receives, reviews, and approves the personal cellphone specifies all business calls from the District's officers or employees before reimbursements are made could result in an unlawful donation.

Recommendation: We recommend the Biloxi Public School District ensure compliance by assuring its officers and employees submit itemized bills monthly to the School Board with highlighted listings of business calls before any and all cell phone reimbursements are approved and paid.

District's Response: The District does not agree with the necessity to have the Board review and approve 38 individual cellphone bills monthly with highlighted listing of business calls. In today's world of electronic communication and technology, business calls are not the only work related function of a cell phone, they are probably the most minimal. Administrators utilized cell phones at all hours of the day and night: sending and receiving emails, texting staff, accessing student information systems, scheduling substitutes, parent communication, community communication, student communication, website posting, grade book access, and countless other administration specific task. The ability to quantify the usage on phone calls alone seems to be very outdated considering unlimited calling and data plans and the fact that phones are basically computers. Noting this, the District does have each administrator sign a cell service reimburse form in an effort to achieve legal compliance.

Auditor's Note: The change in technology, the number of individual cellphone bills, and the District signed cell service form by it Administrators does not change the legal compliance requirements listed above. These are personal cellphones not owned by the District, and the reimbursement paid to each individual should be prorated between personal and business use. If this breakdown is not performed, the District could be cited for making an illegal donation to a public servant.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Law over Merchant – Specific Credit Cards.

Applicable State Law: *DFA 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.”

DFA 10.112.05, Membership Club Cards, states, “Membership card fee’s such as Sam’s club cards, are allowed but should be justified by the agency or governing authority to show that the anticipated savings using the card would exceed the cost of the card fee. This justification should be maintained on file with the government entity. Each subsequent year, the government entity shall document actual saving for the previous year which substantiate the cost of the card. This would not mean documenting saving on each and every purchase but enough documentation to substantiate adequate saving to justify the expense of the card.”

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

- The School Board did not approve the use of a merchant – specific credit cards (Sam’s and Walmart); and
- The School Board did not have on file a justification for the use of the Sam’s card that would show the anticipated savings.

Failure to approve merchant – specific cards and maintain on file the justification for the use of a Sam’s and Walmart cards resulted in violation of state law and regulations.

Recommendation: We recommend the Biloxi Public School District strengthen controls and implement policies to ensure compliance with state laws and regulations in regards to obtaining and usage of credit cards.

District’s Response: The District concurs and will have the School Board approve the use of its merchant – specific cards and will include the justification for the Sam’s Club membership fee.

Repeat Finding: No.

Finding 6: The School District Should Ensure Compliance with State Law over Travel Reimbursements.

Applicable State Law: *Section 25-3-41(1), Mississippi Code Annotated (1972)*, 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.”

Finding Detail: During the testing of School District’s travel reimbursements, the auditor noted the following instance of non-compliance, out 15 tested:

- One travel voucher did not have evidence of the mileage log or documentation to verify the actual miles traveled for reimbursement. The out-of-district mileage for employees is reimbursed based on a mileage chart with set miles provided by the District.

Lack of internal controls resulted in non-compliance and could result in the fraud, loss, or misappropriation of public funds.

Recommendation: We recommend that Biloxi Public School District ensure compliance by maintaining proper controls over travel reimbursements by acquiring actual mileage documentation, as required by state law.

District's Response: The District concurs and will require employees to certify actual mileage.

Repeat Finding: No.

Finding 7: The School District Should Ensure Compliance with State Law over Advertisement for Tax Increase Publication.

Applicable State Law: *Section 27-39-207(2)(a), Mississippi Code Annotated (1972)*, states, "The school board of the school district shall advertise its intent to increase its ad valorem tax effort in dollars in a newspaper of general circulation in the county. The advertisement shall be no less than one-fourth (¼) page in size and the type used shall be no smaller than eighteen (18) point and surrounded by a one-fourth-inch solid black border. The advertisement shall not be placed in any portion of the newspaper where legal notices and classified advertisements appear."

Section 37-57-107, Mississippi Code Annotated (1972), states, "Taxes levied for school district purposes pursuant to *Sections 37-57-105 and 37-57-1* shall not exceed the aggregate receipts from those sources during any one (1) of the immediately preceding three (3) fiscal years."

Finding Detail: During the testing of the School District's limitation of ad valorem taxes and homestead exemption reimbursements, the auditor noted the District's advertisement for its "Notice of Proposed Ad Valorem Tax Effort" did not have the one-fourth-inch solid black border, as required by *Section 27-39-207(a)*.

Failure to properly advertise the ad valorem tax increase within the local newspaper could have resulted in a violation of *Section 37-57-107, Mississippi Code Annotated (1972)*, and an excess of **\$312,823** in ad valorem and homestead exemption during the 2020-2021 year, which would have been required to be restricted for one year.

Recommendation: We recommend the Biloxi Public School District implement policies and procedures to ensure compliance with *Mississippi Code Sections 27-39-207(2)(a)*. Additionally, we recommend that if the newspaper improperly runs the "Notice of Proposed Ad Valorem" at no fault of the District, the District must ensure the newspaper re-run this advertisement immediately.

District's Response: The District concurs and will ensure the Advertisement for Proposed Ad Valorem Tax Effort has the one-fourth border surrounding the required advertisement.

Repeat Finding: No.

Finding 8: The School District Should Ensure Compliance with State Law over Sixteenth Section Lease Taxes.

Applicable State Law: *Section 27-35-71, Mississippi Code Annotated (1972)*, states, "Sixteenth section lands reserved for the use of schools, or lands reserved or granted in lieu of or as a substitute for the sixteenth sections, shall be liable, after the same shall have been leased, to be taxes as other lands are taxed during the continuance of the lease, but in case of sale thereof for taxes, only the title of the lessee or his heirs or assigns shall pass by the sale." In addition, the standard lease agreement used by the district between the lessee and lessor states, "Lessee shall pay all taxes levied, if any, on said property on time to prevent default."

Finding Detail: During the review of the School District's sixteenth section land leases, the auditor noted taxes were not current on five out of 20 lease agreements tested totaling **\$8,900**; however, the lease agreements were not terminated.

Failure to terminate lease agreement due to non-payment of property taxes resulted in non-compliance with state law.

Recommendation: We recommend the Biloxi Public School District ensure compliance by assuring taxes are current, as required by state law.

District's Response: The District concurs and will implement a procedure to annually check outstanding property taxes to ensure compliance.

Repeat Finding: No.

Finding 9: The School District Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *Section 25-1-15(2), Mississippi Code Annotated (1972)*, states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee."

Section 37-6-15, Mississippi Code Annotated (1972) states, "Before entering upon the discharge of the duties of his office, each member of the school board shall give a surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety, to be payable conditioned and approved in the manner provided by law."

Section 37-9-27, Mississippi Code Annotated (1972), states, "The superintendent of any school district, before entering upon the duties of his office, shall furnish a good and sufficient surety bond in the penal sum of One Hundred Thousand Dollars (\$100,000.00), with sufficient surety."

Finding Detail: During the review of the School District's surety bonds, the auditor noted the following employees were covered by continuation certificates instead of official bonds:

- Two Board members; and
- Superintendent.

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 be correctly and sufficiently bonded could limit the amount available for recovery in the event of fraud, theft, or misappropriation of public funds.

Recommendation: We recommend the Biloxi Public School District ensure compliance by securing new bonds every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee, as required by state laws and regulations.

District's Response: The District will move away from continuation certificates and will take OSA's recommendation to obtain annual surety bonds covering specific one year periods.

Repeat Finding: No.

OTHER RECOMMENDATIONS MADE BY THE OFFICE OF THE STATE AUDITOR

The Office of the State Auditor recommends that the School Board consider obtaining new surety bonds for Board members, the Superintendent, Purchase Agents, and Principals. As noted during our test work, ten Principals and four Purchasing Agents are covered by “continuation certificates” or renewals. 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. Failure to have a bond in place for a specific term of employment could limit the amount available for recovery if a loss occurred over multiple terms.

End of Report



Biloxi Public Schools

160 St. Peters Ave, · P O Box 168, Biloxi, MS · P (228)374-1810 · F (228)436-5114

COMPLIANCE REVIEW FINDINGS

January 19, 2023

Office of the State Auditor
State of Mississippi
PO Box 956
Jackson, MS 39205-0956

The Biloxi School District has reviewed the report of findings from the Limited Internal Control and Compliance Review conducted for the fiscal year ending June 30, 2021. Below you will find the responses and corrective action plans.

Finding 1. Strengthen Internal Controls & Ensure Compliance with State Law over Bank Reconciliations

Response: The District continues to strongly disagree with this finding and especially that it is a “significant deficiency in internal control”. Every bank statement was timely reconciled to the general ledger and every transaction was properly posted to the correct general ledger.

Corrective Action Plan:

- A. The District made all the inter-bank transfers in February 2022, and they will no longer show as an outstanding item. As reconciling items occur in the future, the District will make the transfers more frequently.
- B. Shane Switzer, Business Manager and Elton Bienvenue, Assistant Business Manager
- C. Action has been completed.

Finding 2. Incentive Pay

Response: The District concurs with the finding.

Corrective Action Plan:

- A. The District will operate the incentive program to match the incentive policy and unlike the incentive program administered by MDE, we will exclude first year staff from being eligible.
- B. Marcus Boudreaux, Superintendent and Shane Switzer, Business Manager
- C. Action has been completed.

Finding 3. MHSAA Passes

Response: The District still believes School Board action would be similar in nature to Board policy, however, we concur with the finding.

Corrective Action Plan:

- A. The District will implement policies and procedures in regards to the free admissions and the payment of MHSAA statewide pass of its personnel.
- B. Marcus Boudreaux, Superintendent and Shane Switzer, Business Manager
- C. Action will be complete by Fiscal Year End June 2023

Finding 4. Cell-Phone Reimbursement

Response: The District concurs with the finding

Corrective Action Plan:

- A. The District will discontinue cell phone expense reimbursement.
- B. Marcus Boudreaux, Superintendent and Shane Switzer, Business Manager
- C. Action will be complete by Fiscal Year End June 2023

Finding 5. Merchant Credit Cards

Response: The District concurs with the finding

Corrective Action Plan:

- A. The District will have the School Board approve the use of its merchant-specific cards and will include the justification for the Sam's Club membership fee.
- B. Jennifer Gibson, Purchasing Director and Shane Switzer, Business Manager
- C. Action was completed July 2022

Finding 6. Travel Reimbursements

Response: The District concurs with the finding

Corrective Action Plan:

- A. The District will require actual mileage documentation to substantiate reimbursement and not use chart.
- B. Jennifer Gibson, Purchasing Director and Shane Switzer, Business Manager
- C. Action will be complete by Fiscal Year End June 2023

Finding 7. Advertisement for Tax Increase Publication

Response: The District concurs with the finding

Corrective Action Plan:

- A. The District will ensure the Advertisement for Proposed Ad Valorem Tax Effort has the one-fourth inch border surrounding the require advertisement.
- B. Shane Switzer, Business Manager
- C. Action has been completed.

Finding 8. Sixteenth Section Lease Taxes

Response: The District concurs with the finding

Corrective Action Plan:

- A. The district concurs and will implement a procedure to annually check outstanding property taxes to ensure compliance.
- B. Shane Switzer, Business Manager and Elton Bienvenue, Assistant Business Manager
- C. Action will be complete by Fiscal Year End June 2023

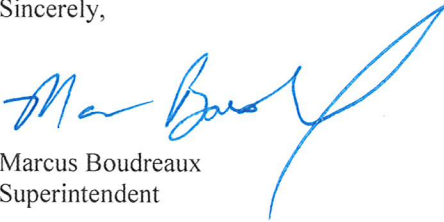
Finding 9. Surety Bonds

Response: The District concurs with the finding

Corrective Action Plan:

- D. The District has moved away from continuation certificates and has taken OSA's recommendation to obtain annual surety bonds covering specific one year periods.
- E. Shane Switzer, Business Manager and Elton Bienvenue, Assistant Business Manager
- F. Action has been completed

Sincerely,



Marcus Boudreaux
Superintendent