

# GULFPORT 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

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

Gulfport School District  
2001 Pass Road  
Gulfport, MS 39501

Dear Gulfport School Board:

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

1. Ensure Compliance with State Law over Budget Expenditures and Budget Approval;
2. Ensure Compliance with State Law over the Tax Request Publication and Ad Valorem Escrows;
3. Ensure Compliance with State Law over Reemployment of Retired Public Employees; and
4. Ensure Compliance with State Law over Surety Bonds.

Please review the recommendations and submit a plan to implement them by (Date). 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 Gulfport 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 Gulfport 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 control over financial reporting that we consider to be a *material weakness* in internal control and certain deficiencies in internal control that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **OTHER DEFICIENCY**.

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**.

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## **OTHER DEFICIENCY AND INSTANCE OF NONCOMPLIANCE WITH STATE LAW**

**Finding 1:** The School District Should Ensure Compliance with State Law over Budgeted Expenditures and Budget Approval.

**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 the District fund are within the legal requirements of the approved budget.

**Applicable State Law:** *Section 37-61-19, Mississippi Code Annotated (1972)*, states, "It shall be the duty of the superintendent of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund..."

**Finding Detail:** During the review of the School District's budgeting expenditures for fiscal year 2021, the auditor noted the following exceptions:

- The District's actual expenditures for the following four funds exceeded the budgeted expenditures in the amount totaling **\$64,564**:
  - Fund 2020 (School Recognition Program) - **\$2,428**
  - Fund 2130 (Child Nutrition) - **\$6,626**
  - Fund 2131 (Child Nutrition Summer) - **\$9,222**
  - Fund 3022 (Insurance Recovery) - **\$46,187**

- Fund 4021 (Three Mill Note) - \$100
- The District's Fund 2905 (FY 2016 Additional PBS) was unbudgeted resulting in its actual expenditures exceeding its budget in the amount totaling **\$20,642**; and
- The District's amended budget for fiscal year 2021 was approved with the following 15 funds reflecting a negative fund balance at year-end in the amount totaling **\$(1,651,298)**:

FUND	DESCRIPTION	AMOUNT
1970	Technology in the Classroom	\$ (2,822)
2130	Child Nutrition	\$ (23,708)
2211	Title I-A Basic FY 2011	\$ (4,491)
2212	Title I Part A CFDA #84.010A	\$ (166,824)
2290	Consolidated Administrative Cost Pool	\$ (559)
2511	Title II CFDA #84.367A	\$ (5,771)
2560	Title III Language Instruction	\$ (798)
2590	ESSER CFDA 84.425D	\$ (46,684)
2594	ESSER II Grant	\$ (810,933)
2610	EHA, Part B Gran	\$ (59,129)
2619	IDEA Part B FY 2019	\$ (6,825)
2629	EHA, Preschool FY 2019	\$ (27)
2904	Special Grants	\$ (181,727)
2906	Shipbuilding CTE Grant	\$ (150,000)
3022	Insurance Recovery	\$ (191,000)

Failure to ensure there are available resources for all expenditures could result in deficit fund balances. Additionally, the approval of a budget with negative fund balances could result in actual fund balances being negative.

**Recommendation:** We recommend the Gulfport School District strengthen controls and ensure compliance by implementing sound budgeting practices that will prevent projected negative fund balances from being presented to the School Board. A thorough review of such budgets should be made prior to being presented to the Board for approval.

**District's Response:** The Gulfport School District's budget planning process involves planning at employment levels that are rudimentary in providing the cleanliness, safety, and education of our communities' children. In this process, the Gulfport School District uses actual budgets, which may show a negative as a financial tool for guiding the finances of the school district. As long as the fund level is not in the negative, this accounting tool allows those in the budget development process understand where less or more funding may be needed.

The Gulfport School District will take under advisement and make adjustments within the grant driven budget lines to make sure a fund balance budget is implemented to fiscally prevent a negative budget line.

**Repeat Finding:** No.

## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 2:** The School District Should Ensure Compliance with State Law over the Tax Request Publication and Ad Valorem Escrows.

**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 27-39-207(2)(b), Mississippi Code Annotated (1972)*, provides that except as provided for in subsection (1) of this section, if a school district is requesting an increase in ad valorem tax effort in dollars pursuant to *Sections 37-57-105 and 37-57-107*, it shall be written in the requisite form.

*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 following exceptions:

- The District’s advertisement for its “Notice of Proposed Ad Valorem Tax Effort” did not have the one-fourth-inch solid black border nor the District’s name in heading, as required by *Section 27-39-207(a)*; and
- The District received more ad valorem taxes and homestead exemptions reimbursements than the amount allowed by *37-57-107, Mississippi Code Annotated (1972)*. This excess is the result of the District not properly advertising the tax increase in the local newspaper, the calculation was done on an accrual basis, and receiving more tax revenue from the County than the District’s base amount.

Due to the calculation resulting in a violation of *Section 37-57-107, Mississippi Code Annotated (1972)*, the excess collected during 2020-2021 year totaling **\$317,978** should be restricted for one year.

**Recommendation:** We recommend the Gulfport Public School District ensure compliance by assuring its “Notice of Proposed Ad Valorem” is properly advertised in the local newspaper, the cash basis of accounting is utilized during the District’s calculation and escrow the excess noted totaling **\$317,978**.

**District’s Response:** The finding states that the advertisement for Ad Valorem Tax Effort did not have a one-fourth inch solid black border nor the District’s name in the heading as required by law. The school district did request the one-fourth inch black border when placing the ad in the newspaper, but it was printed with a smaller black border than required. The District received more ad valorem taxes and homestead exemption reimbursements than requested. An escrow calculation was done by the District and determined no escrow was needed. Due to the fact that the District’s ad did not meet state qualifications, the overage received will have to be escrowed. This excess totaling \$317,978 will be escrowed and restricted for one year. The Gulfport School District will implement policies and procedures to ensure compliance with state laws when advertising for the “Notice of Proposed Ad Valorem” in the newspaper and the cash basis of accounting will be utilized during the District’s calculation.

**Repeat Finding:** No.

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**Finding 3:** The School District Should Ensure Compliance with State Law over Reemployment of Retired Public Employees.

**Applicable State Law:** *Section 25-11-127(1)(a), Mississippi Code Annotated (1972)*, 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.”

*Section 25-11-127(4), Mississippi Code Annotated (1972)*, states, “Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment.”

*PERS Board Regulation 34, Section 105*, states, “To lawfully employ a PERS service retiree under *Section 103*, the employer must notify PERS in writing of the terms of the eligible employment within five (5) days from the date of employment and also from the date of termination on a form prescribed by the Board. Failure by the employer to timely notify PERS may result in the assessment of a \$300 penalty per occurrence payable by the employer.”

**Finding Detail:** During the testing of the District’s PERS Form 4Bs, the auditor noted the following exceptions out of 19 tested:

- One retiree was paid more than the salary allowed by PERS, totaling **\$553.46**;
- One retiree was reemployed before the 90 day after retirement;
- The auditor was unable to verify that all 19 Form 4Bs tested were submitted to PERS within five days of rehire by fax transmittal or email;
- Four Form 4Bs for returning retirees were not completed for the fiscal school year 2021. The original hire dates were June 1, 2020, which were for the fiscal school year 2020; and
- Thirteen Form 4Bs rehire dates were not accurately reported for fiscal year 2021.

Failure to file PERS Form 4Bs, as required by PERS, and comply with *Section 25-11-127(4)* could result in overpayment of a retiree and the School District being assessed penalties by PERS.

**Recommendation:** We recommend the Gulfport School District ensure compliance with state law and PERS by properly, accurately, and completely submitting the forms to PERS within five days from the date of reemployment.

**District’s Response:** The Gulfport School District currently has four retired and rehired employees. The GSD Personnel Department requires retired/rehired employees to sign their PERS 48 and forward them to PERS within 5 days. This form is stamped with a FAXED DATE.

The Gulfport School District will take under advisement and make adjustments on 48 reporting to PERS by attaching FAX transmittal forms to the required documents.

The Gulfport School District will take under advisement the finding concerning the signature date on annual 48 forms.

In regards to PERS requirements and 48 forms, the Gulfport School District will work with the vendor that supplies substitute teachers to the district to make them aware of their failure to meet this PERS requirement and work with the vendor to tighten their controls and procedures.

The Gulfport School District will work to ensure that retired employees that are receiving the maximum base pay allowed by PERS do not receive performance based pay for their previous performance in the Gulfport School District.

**Repeat Finding:** No.

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**Finding 4:** 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.”

*Board Policy Purchasing Authority, Section Code DJEA*, requires the Superintendent as the Purchasing Agent. The Board also designates the Assistant Superintendent, Chief financial officer, Director of Child Nutrition, and Director of Maintenance as purchasing agents.

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

- The following positions were bonded by continuation certificates instead of official bonds with definite terms:
  - Five Board members;
  - Superintendent; and
- The following positions were not bonded as Purchasing Agents as designated by the District’s Board policy:
  - Superintendent;
  - Chief Financial Officer;
  - Assistant Superintendent;
  - Director of Child Nutrition.

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

Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the state statute, by being correctly and sufficiently bonded, could result in the loss of public funds.

**Recommendation:** We recommend the Gulfport 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. Additionally, we recommend all District personnel designated as Purchasing Agents are properly bonded.



**District's Response:** The Gulfport School District has surety bonds for the five board members, the Superintendent, three purchasing agents - Chief Financial Officer, Child Nutrition Director and Chief Operations Officer - and all Principals. These bonds are renewed each year. The finding states that these yearly renewals are considered continuation certificates and are not sufficient to cover the prior periods. Our Board Policy also states the Assistance Superintendent will be bonded as a purchasing agent. Though in our current system, the Assistant Superintendent does not have purchasing authority, the Gulfport School District is in the process of bonding this position.

The Gulfport School District will take this finding under advisement and will ensure that the Mississippi Code sections applicable to school districts concerning bonds are met as required by state law.

**Repeat Finding:** No.

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#### **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 the following: As noted during our test work, the Business Manager/Chief Financial Officer, six Principals, one Purchasing Agent, and Child Nutrition Director 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.

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**End of Report**



# Gulfport School District

Board of Trustees & Office of the Superintendent

September 28, 2022

State of Mississippi  
Office of the State Auditor  
501 N. West Street #801  
Jackson, MS 39201

## COMPLIANCE REVIEW FINDINGS

**Finding 1:** The school district should ensure compliance with State Laws over Budgeted Expenditures and Budget Approval.

**District Response:** The Gulfport School District's budget planning process involves planning at employment levels that are rudimentary in providing the cleanliness, safety, and education of our communities children. In this process, the Gulfport School District uses actual budgets, which may show a negative as a financial tool for guiding the finances of the school district. As long as the fund level is not in the negative, this accounting tool allows those in the budget development process to understand where less or more funding may be needed. The Gulfport School District will take advisement and make adjustments within the grant driven budget lines to make sure a fund balance budget is implemented to fiscally prevent a negative budget line.

**Corrective Action:** The budgets have been corrected by adding a budget for fund balances which will prevent projecting a negative in the budget. The Amended Budget does not have any negative fund balances, and it will be reviewed by the School Board before approval. This finding has been corrected by the Chief Financial Officer and will be approved by the School Board.

**Finding 2:** The school district should ensure compliance with State Law over the Tax Request Publication and Ad Valorem Escrows.

**District Response:** The finding states that the advertisement for Ad Valorem Tax Effort did not have a one-fourth inch solid black border nor the District's name in the heading as required by law. The school district did request the one-fourth inch border when placing the ad in the newspaper, but it was printed with a smaller black border than required. The District received more ad valorem taxes and homestead exemption reimbursements than requested. An escrow calculation was done by the District and determined no escrow was needed. Due to the fact, the District's ad did not meet state qualifications, the overage received will have to be escrowed. This excess totaling \$317,978, will be escrowed and restricted for one year. The Gulfport School District will implement policies and procedures to ensure compliance with state

laws when advertising for the "Notice of Proposed Ad Valorem" in the newspaper, and the cash basis of accounting will be utilized during the District's calculation.

**Corrective Action:** The Chief Financial Officer has placed the ad for this year's Ad Valorem Tax Request and verified that all state requirements were met. The \$317,978 has been escrowed in the FY22 financial year. The new tax request for FY23 was reduced by this escrow.

**Finding 3:** The school district should ensure compliance with State Law over reemployment of retired public employees.

**District Response:** The Gulfport School District currently has four retired and rehired employees. The GSD Personnel Department requires retired/rehired employees to sign their PERS 4B form and forward it to PERS within 5 days of rehire. This form is stamped with a faxed date. The Gulfport School District will take under advisement and make adjustments on form 4B reporting to PERS by attaching fax transmittal forms to the required documentation. The Gulfport School District will take under advisement the finding concerning the signature date on annual 4B forms. In regards to PERS requirements and 4B forms, the Gulfport School District will work with the vendor that supplies substitute teachers to the district to make them aware of their failure to meet this PERS requirement and work with the vendor to tighten their controls and procedures. The Gulfport School District will work to ensure that retired employees are receiving the maximum base pay allowed by PERS and will not receive performance base pay for their previous performance in the Gulfport School District.

**Corrective Action:** The Chief Financial Officer has reviewed all PERS 4B forms and verified that the fax confirmations are attached, and the signature dates are correct. Payroll budgets have been reviewed to make sure the limits have been met. The vendor for our substitute teachers has been notified of all requirements, and their forms will be reviewed when submitted.

**Finding 4:** The school district should ensure compliance with State Law over surety bonds.

**District Response:** The Gulfport School District has surety bonds for the five board members, the Superintendent, three purchasing agents – Chief Financial Officer, Child Nutrition Director, and Chief Operations Officer and all Principals. These bonds are renewed each year. The finding states that these yearly renewals are considered continuation certificates and not sufficient to cover the prior periods. Our Board Policy also states the Assistant Superintendent will be bonded as a purchasing agent. Though in our current system, the Assistant Superintendent does not have purchasing authority, the Gulfport School District is in the process of bonding this position. The Gulfport School District will take this finding under advisement and will ensure that the Mississippi Code sections applicable to school districts concerning bonds are met as required by state law.

**Corrective Action:** We have spoken to our insurance carrier regarding the bonds, and they have assured us that the prior periods were covered with our yearly renewals, but to make sure we are complying with the state laws, we will obtain new bonds each year for our bonded

positions. We will also review our bonds yearly to make sure we are complying with our School Board Policy and the requirements of State Law.

  
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Glen V. East, Superintendent  
Gulfport School District