

LONG BEACH SCHOOL DISTRICT MISSISSIPPI

COMPLIANCE REPORT

Limited Internal Control and Compliance Review Management
For the year ended *June 30, 2022*

SHAD WHITE, CFE
State Auditor

Stephanie C. Palmertree, CPA, CFE, CGMA
Deputy State Auditor

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Director, *Compliance Audit Division*



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

June 19, 2023

Limited Internal Control and Compliance Review Management Report

Long Beach School District
19148 Commission Road
Long Beach, MS 39560

Dear Members of the Long Beach School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the **Long Beach School District** for fiscal year 2022. In these findings, the Auditor's Office recommends the **Long Beach School District**:

1. Ensure Compliance with State Law over the Approval of Depository Bids;
2. Ensure Compliance with State Law over Merchant – Specific Credit Cards and Membership Club Cards; and
3. Ensure Compliance with State Law over Reemployment of Retired Public Employees.

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 Long Beach 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, CFE, 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 **Long Beach School District** for the year ended **June 30, 2022**.

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.

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**.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 1: The School District Should Ensure Compliance with State Law over the Approval of Depository Bids.

Applicable State Law: *Section 37-7-333, Mississippi Code Annotated (1972)*, states, "In the event a bank submits a bid or offer to a school district to act as a depository for the district and such bid or offer, if accepted, would result in a contract in which a member of the school board would have a direct or indirect interest, the school board should not open or consider any bids received. The superintendent of schools shall submit the matter to the State Treasurer, who shall have the authority to solicit bids, select a depository or depositories, make all decisions and take any action within the authority of the school board under this section relating to the selection of a depository or depositories."

Finding Detail: During the review of the School District's related party questionnaires and Board minutes, the auditor noted one Board Member owns stock in the bank, which was selected as the District's depository.

Recommendation: We recommend the Long Beach School District ensure compliance by assuring that when a bank submits a bid that has direct interest with a member of the School Board it is left unopen and submitted to the State Treasurer, as required by state law.

District's Response: In fiscal year 2022, the district did not select the depository the board member held stock in. However, the depository did submit a bid. Upon the discovery of the conflict, the district has implemented procedures to identify any interest, direct or indirect, in financial institutions prior to the advertisement of the depository bid. If an interest is identified, the district will submit the matter to the State Treasurer's office as required by *37-7-333, Miss. Code Ann. (1972)*.

Repeat Finding: Yes – Finding SL – 002.

Finding 2: The School District Should Ensure Compliance over Merchant – Specific Credit Cards and Membership Club Card.

Applicable State Law: *Mississippi Procurement Manual, Chapter 10, 10.112.03, Merchant-Specific Credit Cards*, prescribed by the Mississippi Department of Finance and Administration, 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.”

Mississippi Procurement Manual, Chapter 10, 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 District did not have Board approval for the use of its merchant – specific credit card until April 07, 2022, for the fiscal year ended June 30, 2022. Additionally, the District did not have on file justification for its membership club card (Sam’s).

Failure to approve merchant – specific cards and maintain on file the justification for the use of a Sam’s card for the entire year of fiscal year 2022 resulted in noncompliance with state regulations.

Recommendation: We recommend the Long Beach School District ensure compliance annually with state regulations over merchant – specific cards and membership cards.

District’s Response: During our FY21 financial audit, it was brought to our attention that the Sam’s Club account was no longer a direct credit account and was now a merchant credit card account. At that time, we submitted the request for permission to use the credit card to the school board and the request was added to the April 07, 2022, Board Agenda. The documentation to renew the Sam’s membership was not compiled and/or retained for the approval of the renewal of the membership. The district has identified this as an issue and provided appropriate training to ensure that documentation is verified and kept on file before any renewals are approved. Since these systems have been implemented, the required documentation justification for the FY23 renewal is on file for the justification of this purchase.

Repeat Finding: No.

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.”

Mississippi Public Employment Retirement System (PERS) Board Regulation 34, Section 105, states, “The 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 \$300 penalty per occurrence payable by the employer.”

Finding Detail: During the review of the School District's PERS Form 4Bs, the auditor noted three out of 12 Form 4Bs did not have evidence of the retirement date; therefore, the auditor could not verify if the retirees were rehired before 90 days of retirement.

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

Recommendation: We recommend the Long Beach District ensure compliance by assuring that all PERS Form 4Bs are completed completely and accurately.

District Response: The District reviews all 4Bs for accuracy, however, we are only certifying the information provided in the Section 3 – Employer Certification. Sections 1 & 2 are the retiree's responsibility. We do not change/delete/add information once it is signed. We will make every effort to ensure the retiree completes all requested data, but will submit the form, as submitted, to meet the 5 – day requirement.

Auditor's Note: It is the ultimate responsibility of Management to ensure that all sections of the Form 4Bs are submitted to PERS accurately.

Repeat Finding: No.

End of Report