

PASS CHRISTIAN PUBLIC SCHOOL DISTRICT
MISSISSIPPI

COMPLIANCE REPORT

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

SHAD WHITE, CFE
State Auditor

Charlotte L. Duckworth
Director, *Compliance Audit Division*



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

April 19, 2024

Limited Internal Control and Compliance Review Management Report

Pass Christian Public School District
6457 Kiln DeLisle Road
Pass Christian, MS 39571

Dear Members of the Pass Christian Public School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the **Pass Christian Public School District** for the Fiscal Year **2022**. In these findings, the Auditor's Office recommends the **Pass Christian Public School District**:

1. Ensure Compliance with State Law over Ad Valorem Escrow/Shortfall Calculations;
2. Ensure Compliance with State Law over Merchant-Specific Credit Cards and Membership Club Cards;
3. Ensure Compliance with State Law over Statement of Economic Interest;
4. Ensure Compliance with State Law over the Collection of Public Funds;
5. Ensure Compliance with State Law over Sixteenth Section Educable Child Lists; and
6. Ensure Compliance with State Law over Surety Bonds.

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 **Pass Christian 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 "Charlotte L. Duckworth".

CHARLOTTE L. DUCKWORTH
Director, Compliance Audit
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the **Pass Christian Public 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.

We identified 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 Ad Valorem Shortfall/Escrow Calculations.

Applicable State Law: *Section 37-57-105(3), Mississippi Code Annotated (1972)*, states, "The aggregate receipts from ad valorem taxes levied for school district purposes, excluding collection fees, pursuant to this section and *Section 37-57-1* shall be subject to the increased limitation under *Section 37-57-107*; however, if the ad valorem tax effort in dollars requested by the school district for the fiscal year exceeds the next preceding fiscal year's ad valorem tax effort in dollars by more than four percent (4%) but not more than seven percent (7%), then the school board shall publish notice thereof once each week for at least three (3) consecutive weeks in a newspaper having general circulation in the school district involved, with the first publication thereof to be made not less than fifteen (15) days prior to the final adoption of the budget by the school board..."

Section 37-57-108, Mississippi Code Annotated (1972), states, "In the event that the amount of revenue collected or estimated to be collected from local sources, on behalf of a school district during a fiscal year, is less than the amount provided for in the duly adopted budget of said school district for the fiscal year, then the school district may issue promissory notes in an amount and in the manner set forth in *Section 27-39-333*, not to exceed the estimated shortfall of revenue from local sources, but in no event to exceed twenty-five percent (25%) of its budget anticipated to be funded from the sources of the shortfall for the fiscal year. A school district issuing notes under the provision of this section shall not be required to publish notice of its intention to do so or to secure the consent of the qualified electors or the tax levying authority of such school district."

Finding Detail: During the review of the School District's ad valorem tax and homestead exemptions request and collections, the auditor noted that the School District escrowed **\$863,118** for fiscal year 2022; however, per OSA's calculation, the School District should have had a shortfall of **\$116,583**. The shortfall is a result of receiving less tax revenue from the County than the District's base.

The miscalculation resulted in noncompliance with *Sections 37-57-105(3)* and *37-57-108, Mississippi Code Annotated (1972)*. The School District should not have escrowed **\$863,118** for one year.

Recommendation: We recommend the Pass Christian School District ensure compliance by implementing adequate policies and procedures to ensure the limitation of ad valorem taxes and homestead exemption reimbursements are met, as required by State Law.

District's Response: The District's escrow/shortfall calculations were impacted by sudden personnel departures at the City of Pass Christian that resulted in late remittance of tax collections for the months of April – June 2022. These collections were received on July 21st and August 9th, 2022, prior to the District finalizing its request for ad valorem taxes for fiscal year 2023. District officials confirmed the tax settlements for April – June 2022 with the Harrison County Tax Collector and consulted with legal before determining to include these collections in receipts for fiscal year 2022. This decision prevented additional cost to the District for Debt issuance and prevented an additional tax levy for a shortfall note for three years. The District documented this action and received concurrence from its financial auditor with the action taken.

Auditor's Note: Management is responsible for ensuring all ad valorem calculations are accurate. Although there was a shortfall figured for fiscal year 2022, the School District is not obligated to request a shortfall note. The recording of an escrow for fiscal year 2022 affected the calculation of the ad valorem request for the fiscal year 2023.

Repeat Finding: No.

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

Applicable Administrative Guidance: *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, prescribed by the Mississippi Department of Finance Administration, states, "Membership club 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 savings 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 procurement cards, the auditor noted the School District did not approve its credit card policy for fiscal year 2022. Additionally, the District did not approve the use nor justification for its merchant-specific credit card and 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 resulted in noncompliance with State Law.

Recommendation: We recommend the Pass Christian Public School District ensure compliance annually with administrative guidance over merchant specific credit cards and membership cards.

District's Response: The District agrees that the governing Board must approve merchant specific credit cards after being provided written justification such as the savings that can be obtained on certain purchases.

Repeat Finding: No.

Finding 3: The School District Should Ensure Compliance with State Law over Statements of Economic Interest.

Applicable State Law: *Section 25-4-25(1)(c), Mississippi Code Annotated (1972)*, states that required Statements of Economic Interest should be filed as follows for those newly appointed: “Persons who are required to file a statement because of appointment to fill a vacancy in an office or required to file under *Section 25-4-25(d)* and *(e)* shall file such statement within thirty (30) days of their appointment.”

Section 25-4-29(2), Mississippi Code Annotated (1972), states, “Any person who fails to file a statement of economic interest within thirty (30) days of the date the statement is due shall be deemed delinquent by the commission. The commission shall give written notice of the delinquency to the person by United States mail or by personal service of process. If within fifteen (15) days of receiving written notice of delinquency the delinquent filer has not filed the statement of economic interest, a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00), shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer’s county of residence. The commission may enforce the judgment for the benefit of the State General Fund for the support of the Mississippi Adequate Education Program in the same manner as is prescribed for other civil judgments.”

Finding Detail: During the review of the School District’s Statements of Economic Interest, the auditor noted one Board Member did not file by May 1, 2022, as required by State Law.

Recommendation: We recommend that the Pass Christian Public School District ensure compliance by assuring all School Board Members file a Statement of Economic Interest by May 1st of each elected or appointed year, as required by State Law.

District’s Response: The newly appointed Board Member filed a Statement of Economic Interest on May 20, 2022. A reminder for all Board Members will be placed on the Board’s calendar.

Auditor’s Note: *Section 25-4-25(1)(c), Mississippi Code Annotated (1972)*, states that when newly appointed a Statement of Economic Interest should be filed within 30 days of that appointment. Per documentation provided by the School District, the Board member was appointed in March 2022; however, the statement was not filed until May 20, 2022, which is beyond the specified days required by State Law.

Repeat Finding: No.

Finding 4: The School District Should Ensure Compliance with State Law over the Collection of Public Funds.

Applicable Administrative Decisions and Guidance: *Mississippi Attorney General Opinion 93-0213* provides that 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 School District’s activity fund receipts and deposits, the auditor noted the School District utilizes only one system, electronic ticket sales, for taxpayers to purchase tickets for athletic events. A convenience fee is charged for each ticket purchased. Only providing this system prohibits taxpayers from purchasing tickets at the gate without an additional fee. A government entity should allow electronic ticket purchases as a voluntary option.

Failure to ensure the public has the option to pay with coins and currency for tickets for extracurricular events resulted in noncompliance with State Law.

Recommendation: We recommend that the Pass Christian Public School District ensure compliance by implementing policies and procedures to ensure all tickets purchased for extracurricular events do not require a convenience fee.

District's Response: The District believes online ticket sales improve our internal controls rather than creating a material weakness. However, the District has now implemented a cash option for tickets.

Auditor's Note: As stated above, the School District should not require attendees to pay convenience fees, and the School District's internal control processes should comply with the opinion of the Attorney General.

Repeat Finding: No.

Finding 5: The School District Should Ensure Compliance with State Law over Sixteenth Section Educable Child Lists.

Applicable State Law: *Section 29-3-121, Mississippi Code Annotated (1972)*, 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 31st 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, Mississippi Code Annotated (1972)*..."

Finding Detail: During the review of the School District's sixteenth section educable child lists, the auditor noted that the list was not filed by December 31, 2021.

Failure to file the educable child list with the custodial school district could result in forfeiting funds that the School District would otherwise be entitled to.

Recommendation: We recommend that the Pass Christian Public School District ensure compliance by assuring all lists are prepared and filed with the Superintendent of custodial Districts by December 31st of each year, as required by State Law.

District's Response: The District agrees. In this instance, the list of educable children was provided after December 31st. However, the Harrison County School District remitted the funds and this delay did not result in a forfeiture of funds for which the District was entitled. New personnel in the business and student accounting offices are now aware of the December 31st deadline.

Repeat Finding: No.

Finding 6: 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(1), 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 exceptions:

- One Board Member was covered by an indefinite bond; and
- The following employees are covered by continuation certificates:
 - Four Board Members;
 - Superintendent;
 - Two Purchasing Agents;
 - Five Principals.

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 Pass Christian Public School District ensure compliance by securing bonds that assure all employees are properly and sufficiently bonded, as required by State Law.

District’s Response: The District has obtained a new bond to replace the Board Member’s indefinite bond. The District’s bond agent has given assurance that continuation certificates provide the same coverage value for each succeeding calendar year as the original bond. However, the District has requested new bonds be issued annually for purchasing agents and the Superintendent. Individual bonds, or blanket bond, will be obtained annually for Principals. New bonds for Board Members will be obtained for either each term or annually.

Repeat Finding: No.

End of Report