

BAY ST. LOUIS -WAVELAND SCHOOL DISTRICT

# MISSISSIPPI

## COMPLIANCE REPORT

### LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT

For the year ended *June 30, 2023*

**SHAD WHITE, CFE**  
State Auditor

**Charlotte L. Duckworth**  
Director, *Compliance Audit Division*





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

**May 15, 2024**

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

Bay St. Louis – Waveland School District  
200 North Second Street  
Bay St. Louis, MS 39520

Dear Members of the Bay St. Louis - Waveland School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the **Bay St. Louis - Waveland School District** for the fiscal year **2023**. In these findings, the Auditor's Office recommends the **Bay St. Louis - Waveland School District**:

1. Strengthen Internal Controls Regarding Segregation of Duties;
2. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approval and Budgeted Expenditures;
3. Ensure Compliance with State Law Regarding Public Depositor's Annual Report;
4. Ensure Compliance with State Law Regarding Credit Card Usage and Merchant – Specific Credit Cards;
5. Ensure Compliance with State Law Regarding Ad Valorem Escrow;
6. Ensure Compliance with State Law Regarding Statements of Economic Interest (SEIs);
7. Ensure Compliance with State Law Regarding Supplemental Contracts;
8. Ensure Compliance with State Law Regarding Electronic Tickets Sales for Extracurricular Events; and
9. Ensure Compliance with State Law Regarding Surety Bonds.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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

I hope our recommendations enable the **Bay St. Louis – Waveland 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, reading "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 **Bay St. Louis - Waveland School District** for the year ended **June 30, 2023**.

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 7-7-21, Mississippi Code Annotated (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We identified certain deficiencies in internal control that we consider to be *significant deficiencies* in internal control. These matters are noted under the heading **SIGNIFICANT DEFICIENCY**. We also identified other deficiencies that we have noted under the heading **OTHER DEFICIENCY**.

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**.

Terms used in this Report.

OSA – *Office of the State Auditor*

AGO – *Attorney General's Office*

COSO – *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission*

District – *Bay St. Louis – Waveland School District*

MDEAMSD – *Mississippi Department of Education Accounting Manual for School Districts*

Section – *Mississippi Code Annotated (1972)*

---

## **SIGNIFICANT DEFICIENCY**

**Finding 1:** The District Should Strengthen Internal Controls Regarding Segregation of Duties.

**Internal Control Deficiency:** The *COSO* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. An effective system of internal controls should include adequate segregation of duties. A well-designed system of internal controls should include segregating job duties to the greatest extent possible.

**Finding Detail:** During the review of the District's internal controls, the auditor noted the Business Manager makes general ledger entries, reviews entries, records cash, and reconciles bank accounts.

Failure to have adequate internal controls could result in fraud or misappropriation of public monies.

**Recommendation:** We recommend that the District strengthen internal controls by implementing effective and proper segregation of duties surrounding bank reconciliations, journal entries, and cash records.

**District's Response:** The District will put procedures in place to properly segregate duties.

**Repeat Finding:** No.

---

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

**Finding 2:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budget Approval and Budgeted Expenditures.

**Internal Control Deficiency:** The Board of Education establishes priorities for the financial management of the District, reviews and approves all presented budgets, and assures expenditures for the District fund are within the legal requirements of the approved budget.

**Applicable State Law:** *Section 37-61-1*, "It shall be the duty of the superintendents 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. Furthermore, it shall be unlawful for any contract to be entered into or any obligation incurred or expenditure made in excess of the resources available for such fiscal year..."

**Finding Detail:** During the review of the District's budgets and Board minutes, the auditor noted the following exceptions:

- The Nurse Grant Fund (2901) was unbudgeted for the audit year; and
- On August 8, 2022, the Board approved the original **2022-2023** budget that included 23 funds reflecting a negative fund balance at year-end:
  - Student Activity Fund (1151) – **(\$24,882)**;
  - Student Club Activity Fund (1321) – **(\$69,204)**;
  - School Recognition Program Fund (2020) – **(\$150,000)**;
  - Extended School Year Fund (2090) – **(\$43,426)**;
  - Summer Food Service 2021 Fund (2131) – **(\$10,000)**;
  - Summer Food Service 2022 Fund (2132) – **(\$6,543)**;
  - 1003 (a) School Improvement Fund (2213) – **(\$1,052)**;
  - Consolidated Admin Cost Fund (2290) – **(\$53,302)**;
  - Cares Act ESSER 84 42SD Fund (2590) – **(\$32,577)**;
  - ESSER II CFDA 84 425D Fund (2594) – **(\$2,235,980)**;
  - School Nurse ESSER Grant 84 425D Fund (2596) – **(\$64,486)**;
  - IDEA Part B ARP Grant Fund (2599) – **(\$7,983)**;
  - IDEA Part B Fund (2610) – **(\$48,625)**;
  - EHA Preschool Fund (2620) – **(\$9,861)**;
  - Vocational Education Basic Fund (2711) – **(\$2,714)**;
  - Title IV Part A Fund (2811) – **(\$14,851)**;
  - Educator in Residence Fund (2902) – **(\$107,628)**;
  - Blended Pre-K Classroom Grant Fund (2912) – **(\$2,426)**;
  - MS Homeland Security Grant 97-067 Fund (2915) – **(\$24,934)**;
  - Educable Child Fund (2941) – **(\$844)**;
  - BCBS Garden Grant-BWMS Fund (2950) – **(\$9,597)**;
  - Ingalls Grant Fund (2951) – **(\$3,041)**; and
  - G C Community FNDTN Grant Fund (2954) – **(\$1,539)**.

The actual fund balances at June 30, 2023 were not negative; however, the approval of the fund budgets with ending deficit fund balances could result in noncompliance with State Law. Also, failure to ensure all funds are budgeted resulted in noncompliance with State Law.

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

**District's Response:** The District will put procedures in place to prevent this issue in the future.

**Repeat Finding:** No.

---

## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding 3:** The District Should Ensure Compliance with State Law Regarding Public Depositor's Annual Report.

**Applicable State Law:** Section 27-105-5(6)(b), "No later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end."

**Finding Detail:** During the review of the District's depositories, the auditor noted the District did not submit its Public Depositor's Annual Report within 30 days of fiscal year ended June 30, 2023.

Failure to submit a Public Depositor Annual Report in a timely manner could result in the State Treasurer's Office having inaccurate records and increases the risk that the District's total deposits may not be properly collateralized. Also, it resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring the Public Depositor Annual Report is submitted to the State Treasurer's Office within 30 days of fiscal year end, as required by State Law.

**District's Response:** The District will put procedures in place to prevent this issue in the future.

**Repeat Finding:** No.

---

**Finding 4:** The District Should Ensure Compliance with State Law Regarding Credit Card Usage and Merchant – Specific Credit Cards.

**Applicable State Law:** Section 27-65-105(a), "The exemption from the provisions of this chapter which are of a governmental nature or which are more properly classified as governmental exemptions than any other exemption classification of this chapter shall be confined to those persons or property exempted by this section or by provisions of the Constitutions of the United States or the State of Mississippi... The tax levied by this chapter shall not apply to the following: (a) Sales of property, labor, services or products taxable under Sections 27-65-17, 27-65-19, 27-65-23 and 27-19-26, when sold to and billed directly to and payment therefor is made directly by ... school districts of said counties and municipalities."

**Applicable Administrative Guidance:** *Mississippi Procurement Manual, Chapter 10, 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."

*Mississippi Procurement Manual, Chapter 10, 10.112.04, Merchant Specific Credit Card Minimum Requirements*, states, "Upon receipt of the monthly statement, the cardholder shall review all charges to assure accuracy, complete applicable

dispute documents, reconcile the statement with copies of receipts and order logs, and approve and sign the statement...  
(14) The appropriate agency official shall maintain a file with the statements and all applicable receipts and dispute documents...”

**School Board Policy:** *Section D, Fiscal Management, Code DJI, Use of District Credit Cards*, “Any desire to obtain a merchant specific credit card shall be submitted to the Board for approval, along with written justification for the need of a merchant specific credit card. Such justification and approval of such action shall be spread upon the minutes of the Board.”

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

- Two credit card expenditures included state and local taxes for hotel stays;
- One charge slip did not match the amount detailed on the travel card statement;
- The District does not utilize sign in-out sheets for its Tractor Supply Credit Card; and
- The Board did not approve nor have on file the justification of the use of its merchant – specific credit card (Tractor Supply).

Failure to have adequate internal controls surrounding credit card purchases resulted in noncompliance with State Law. Additionally, the Board’s failure to approve and justify the use of its merchant – specific credit card resulted in noncompliance with State Law and Board policy.

**Recommendation:** We recommend the District strengthen internal controls and ensure compliance by implementing adequate policies and procedures concerning its credit card use as required by State Law.

**District’s Response:** The District will put procedures in place to properly account for the card by having a sign in/out sheet for all procurement cards and review procedures for card use with all school staff to ensure taxes are not paid and the card is only used for authorized amounts.

**Repeat Finding:** No.

---

**Finding 5:** The District Should Ensure Compliance with State Law Regarding Ad Valorem Escrow.

**Applicable State Law:** *Section 37-57-105(3)*, “The aggregate receipts from ad valorem taxes levied for school district purposes, excluding collection fee, 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.”

**Finding Detail:** During the review of the District’s ad valorem taxes and homestead exemptions, the auditor noted that the District received more ad valorem taxes and homestead exemption reimbursements than the amount allowed by *Section 37-57-107*. The excess is the result of the District not requesting ad valorem from the County, advertising the tax increase in the local newspaper, and receiving more tax revenue from the County than the District’s base amount.

The miscalculation resulted in noncompliance with *Section 37-57-107* and an excess collected amount totaling **\$54,370** during the **2022-2023** year.

**Recommendation:** We recommend the 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. Also, we recommend the excess amount noted be restricted for one year.

**District's Response:** The District will begin advertising three consecutive weeks to prevent this finding in the future.

**Repeat Finding:** No.

---

**Finding 6:** The District Should Ensure Compliance with State Law Regarding Statements of Economic Interest (SEIs).

**Applicable State Law:** *Section 25-4-25(b)*, “Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: (b) Members of local school boards that administer public funds, regardless of whether such members are elected or appointed.”

*Section 25-4-29(1)(a)*, “Required statements hereunder shall be filed as follows: a) Every incumbent public official required...to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration...2) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...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...”

**Finding Detail:** During the review of the District’s SEIs, the auditor noted all five Board members did not file a Statement of Economic Interest by May 1, 2023.

Failure to file a Statement of Economic Interest could result in fines being assessed and a civil judgment being enrolled against the delinquent filers, as allowed by *Section 25-4-29(2)*, resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring all School Board members file a Statement of Economic Interest no later than May 1<sup>st</sup> of each year that such official holds office, regardless of the duration.

**District's Response:** The District will put procedures in place to comply with this law.

**Repeat Finding:** No.

---

**Finding 7:** The District Should Ensure Compliance with State Law Regarding Supplemental Contracts.

**Applicable State Law:** *Section 37-9-37*, “The amount of salary to be paid any superintendent, principal, or licensed employee shall be fixed by the school board, provided that the requirements of Chapter 19 of this title are met as to superintendents, principals, and licensed employees paid in whole or in part from minimum education program funds...”

**Applicable Administrative Decisions and Guidance:** *MS AG Op., Massey \* 1 (January 23, 1984)* and *Section 37-9-43* provides in part: “It shall be unlawful for a superintendent, principal, or teacher to be paid for any services as such until a written contract has been executed as is provided and required by this chapter. If any county superintendent or municipal separate school district superintendent shall make any such payment prior to the execution of the contract he shall be civilly liable for the amount thereof, and, in addition, the county superintendent shall be liable upon his bond. Therefore, it is our opinion that since teachers can only be paid pursuant to the written contract, they could not, under the circumstances you describe, receive pay for extra work which is not a part of their contract with the school district.”

**Applicable Administrative Guidance:** *MDEAMSD, Section B, Miscellaneous Issues, Subject D, Personnel Files*, states, “There shall be individual personnel files in the school district central office, which include contracts, a copy of teacher certificates, wage authorizations, federal and state withholdings authorizations, and other deduction information. Individual

personnel files shall stand alone to support payroll checks issued to individuals.” Additionally, all new hired licensed and non-licensed employees are required to have criminal records background and child abuse registry checks.

**Finding Detail:** During the review of the District’s certified employees, the auditor noted that two certified employees received additional supplements; however, there was no evidence of supplemental contracts within their personnel files.

Failure to have adequate internal controls and proper procedures surrounding supplemental contracts and personnel files resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring all supplemental contracts are obtained and maintained in the personnel files of its employees or individually Board approved, as required by State Law.

**District’s Response:** The District will put procedures in place to ensure all supplemental contracts are maintained with the employee’s file.

**Repeat Finding:** No.

---

**Finding 8:** The District Should Ensure Compliance with State Law Regarding Electronic Ticket Sales for Extracurricular Events.

**Applicable Administrative Decisions and Guidance:** *MS AG Op., Thomas \* 1 (June 9, 1993)* states in part: “...United States coins and currency (including Federal reserve notes and circulating notes of Federal reserve banks and national banks) are legal tender for all debts, public charges, taxes, and dues. Foreign gold or silver coins are not legal tender for debts...” Therefore, the District must give the public more than one option as a means for obtaining tickets to all athletic/extracurricular events.

**Finding Detail:** During the review of the District’s activity fund cash receipts and deposits, the auditor noted the District utilizes only one system, electronic ticket sales, for taxpayers to purchase tickets for athletic events. Credit card and Hometown fees are charged for each ticket purchased. Only providing this system prohibits taxpayers from purchasing tickets at the gate without additional fees. A government entity should allow electronic purchases as a voluntary option.

Inadequate internal controls related to athletic fund revenue collection, proper receipting and depositing could result in a loss of assets and improper revenue recognition.

**Recommendation:** We recommend the District ensure compliance by assuring all tickets purchased for extracurricular events do not require paying convenience fees, as required by State Law.

**District’s Response:** The District will put procedures in place to prevent this issue in the future.

**Repeat Finding:** No.

---

**Finding 9:** The District Should Ensure Compliance with State Law Regarding Surety Bonds.

**Applicable State Law:** *Section 25-1-12(1)*, “Notwithstanding any other provision of law to the contrary, any public officer or employee handling or having the custody of public funds, by virtue of his or her office or employment, shall give an individual bond or be covered by a blanket bond. The amount of such bonds shall not be less than Twenty-five Thousand Dollars (\$25,000.00) for each public officer or employee, unless a specific amount is otherwise required by law. The provisions of this section shall not apply to any public officer or employee whose activity of handling or having custody of public funds is incidental to his or her employment or job duties, as defined by the regulations of the State Auditor’s Office.”



*Section 37-9-31*, “All school principals and attendance center principals shall furnish good and sufficient surety bonds in the like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000), with sufficient surety.

**School Board Policy:** *Section D, Fiscal Management, Code DJEA, Purchasing Authority*, “...In addition to the superintendent, the school board here designates the business manager as “purchasing agents” with general authority to negotiate for and purchase the commodities and services necessary for the operation of the school district, within the limits of budget categories and purchasing law...”

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

- One employee’s bond did not cover the entire period in their role as Interim Principal for the period of October 2022 through January 2023;
- The Business Manager was not bonded as Purchasing Agent for the fiscal year; however, the District’s purchasing authority policy designates the Business Manager as a Purchasing Agent and should be bonded as such; and
- The District did not make a finding upon its Boards minutes that the following employees jobs handling of cash is incidental to his or her employment, would be an occasional, not regularly occurring, handling of funds and do not require bonds:
  - Eight Cafeteria Cashiers;
  - Five Food Service Managers; and
  - Four Bookkeepers.

Failure to ensure that all employees are properly and sufficiently bonded could limit the amount available for recovery in the event of fraud, theft, or misappropriation of public funds and resulted in noncompliance with State Law.

**Recommendation:** We recommend the District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by State Law.

**District’s Response:** The District will put procedures in place to ensure all appropriate personnel are covered by a surety bond.

**Repeat Finding:** No.

---

**End of Report**