

# PASCAGOULA – GAUTIER SCHOOL DISTRICT MISSISSIPPI

## COMPLIANCE REPORT

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### 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**

**July 30, 2024**

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

Pascagoula – Gautier School District  
1006 Community Avenue  
Pascagoula, MS 39567

Dear Pascagoula – Gautier School Board:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the **Pascagoula – Gautier School District** for the fiscal year **2023**. In these findings, the Auditor’s Office recommends the **Pascagoula – Gautier School District**:

1. Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budgeting and Budgeting Expenditures;
2. Ensure Compliance with State Law Regarding Board Member Ethics and Nepotism;
3. Ensure Compliance with State Law Regarding Purchasing Procedures;
4. Ensure Compliance with State Law Regarding Statements of Economic Interest (SEIs);
5. Ensure Compliance with State Law Regarding Annual Sixteenth Section School Trust Land Report;
6. Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees; and
7. 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 **Pascagoula – Gautier 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 Division*  
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the **Pascagoula – Gautier 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 7-7-211, 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 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

MS AG Op. – *Mississippi Attorney General's Opinion*

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

District – Pascagoula – Gautier School District

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

Section – *Mississippi Code Annotated (1972)*

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

**Finding #1:** The District Should Strengthen Internal Controls and Ensure Compliance with State Law Regarding Budgeting and Budgeting 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 37-61-19* states in part, "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..."

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

- The actual expenditures for Fund 2920 (Adult Basic Education) exceeded the budgeted expenditures in the amount totaling **\$287,922**; and

- The original 2022-2023 budget included the following six funds reflecting a negative fund balance at year end:
  - Title I Part A-CFDA (2211) – **(\$14)**;
  - CARES ACT – ELEM & SECT SCHOOL EMERGENCY RELEF (2590) – **(\$267)**;
  - IDEA, PART B PRESCHOOL GRANT (2600) – **(\$359)**;
  - SPED EHAVB (2610) – **(\$297,627)**;
  - SPED EHA – PRESCH (2620) – **(\$14,822)**; and
  - TITLE IV – STUDENT SUPPORT & ENRICHMENT (2811) - **(\$10,617)**.

The actual fund balances could not be determined to be negative at June 30, 2023; however, the approval of the fund budgets with ending deficit fund balances could result in noncompliance with state law. Additionally, failure to ensure actual expenditures did not exceed budget expenditures resulted in noncompliance.

**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 Board for approval.

**District's Response:** The CFO made an error in generating the budget report in the accounting software for federal funds. Open purchase orders were added to expenditures, whereas those expenses have already been accounted for. Closer attention will be used in verifying compliance with state regulations.

**Repeat Finding:** No.

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## INSTANCES OF NONCOMPLIANCE WITH STATE LAW

**Finding #2:** The District Should Ensure Compliance with State Law Regarding Board Member Ethics and Nepotism.

**Applicable State Law:** *Section 25-4-105(1)* states, “No public servant shall use his official position to obtain, or attempt to obtain, pecuniary benefit for himself other than that compensation provided for by law, or to obtain, or attempt to obtain, pecuniary benefit for any relative or any business with which he is associated.”

*Section 37-9-21* states, “It shall be illegal for any superintendent, principal or other licensed employee to be elected by the school board if such superintendent, principal or licensed employee is related within the third degree by blood or marriage according to the common law to a majority of the members of the school board. No member of the school board shall vote for any person as a superintendent, principal or licensed employee who is related to him within the third degree by blood or marriage or who is dependent upon him in a financial way. Any contract entered into in violation of the provisions of this section shall be null and void.”

**Applicable Administrative Decisions and Guidance:** *Mississippi Ethics Commission Opinion 07-059-E* provides that the trustee must recuse himself or herself from any action which would result in a pecuniary benefit to relatives defined in *Section 25-4-103(q)*.

**Finding Detail:** During the review of the District's Board minutes and related party questionnaires, the auditor noted one Board member approved the hire of their sister as a certified teacher.

Failure of the board members to recuse themselves from the votes on rehire of a relative resulted in noncompliance with state law and regulations.

**Recommendation:** We recommend the District ensure compliance by assuring board members recuse themselves during the rehire of certified employees within the first and third degree, as required by state law and regulations.

**District's Response:** The District will ensure board members recuse themselves from the rehire of certified employees within the third degree.

**Repeat Finding:** No.

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**Finding #3:** The District Should Ensure Compliance with State Law Regarding Purchasing Procedures.

**Applicable State Law:** *Section 31-7-13(b)* states, "Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Seventy-five Thousand Dollars (\$75,000.00), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained...."

**Finding Detail:** During the review of the District's expenditures, the auditor noted the District did not obtain two bids/quotes for one vendor purchase in excess of **\$5,000**.

Failure to follow proper purchasing procedures could result in fraud or misappropriation of public monies and resulted in noncompliance with state law.

**Recommendation:** We recommend the District ensure compliance by properly obtaining at least two bids/quotes for purchases over **\$5,000** but not over **\$75,000**, as required by state law.

**District's Response:** The District failed to respond.

**Repeat Finding:** No.

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**Finding #4:** The District Should Ensure Compliance with State Law Regarding Statements of Economic Interest (SEIs).

**Applicable State Law:** *Section 25-4-25(b)* states, "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)* states, "Required statements hereunder shall be filed as follows:

- (a) Every incumbent public official required by paragraphs (a), (b), (d) and (e) of Section 25-4-25 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;
- (b) Candidates for office required to file a statement hereunder shall file such statement within fifteen (15) days after the deadline for qualification for that public office;
- (c) 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;
- (d) No person by reason of successful candidacy or assuming additional offices shall be required to file more than one (1) statement of economic interest in any calendar year, except such official shall notify the commission as soon as practicable of additional offices not previously reported; and
- (e) The commission may, on an individual case basis, provide for additional time to file a statement upon a showing that compliance with a filing date set out under paragraph (a), (b), (c) or (d) above would work an unreasonable hardship."

*Section 25-4-29(2)* 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. ...”

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

- Four board members did not file their SEI for fiscal year 2023; and
- One board member did not file their SEI by May 1, 2023.

Failure to file the SEI resulted in noncompliance with state law and could result in fines being assessed and a civil judgment being enrolled against the delinquent filers, as allowed by *Section 25-4-29(2)*.

**Recommendation:** We recommend the District ensure compliance by assuring board members file SEI forms annually, no later than May 1<sup>st</sup> of each year that such official holds office, regardless of the duration.

**District’s Response:** Board members will file the Statement of Economic Interest form annually, no later than May 1<sup>st</sup> of each year.

**Repeat Finding:** No.

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**Finding #5:** The District Should Ensure Compliance with State Law Regarding Annual Sixteenth Section School Trust Land Report.

**Applicable State Law:** *Section 29-1-3(3)* states, “Any state, county, municipal or school district official shall supply annually to the Secretary of State such sixteenth section management information as shall be requested by the secretary. Such information shall include, but not be limited to, the following items pertaining to all new leases, rights-of-way, easements and sales of school trust lands: the number of acres in each parcel; the consideration paid for each transaction; the length and expiration of each lease, easement, or right-of-way; and the use to be made of each parcel. The applicable public official shall likewise report information requested by the Secretary of State on schedule of revenue and expenses and principal fund investments. Such information shall include, but not be limited to, the following items: revenues received from various sources; expenses; escrow funds; principal funds; amounts of monies invested; dates of investment; where invested; form of investment; rate of return of each investment; and the amount of revenue earned upon each investment. The information must be submitted in electronic format in the manner required by the Secretary of State.”

**Finding Detail:** During the review of the District’s Sixteenth Section School Trust Land Report, the auditor noted the District did not file the 2023 report with the Mississippi Secretary of State’s (SOS) Office for fiscal year 2023.

Failure to file the Sixteenth Section School Trust Land Report to the SOS’s office resulted in noncompliance with state law.

**Recommendations:** We recommend the District ensure compliance by assuring the District’s Sixteenth Section School Trust Land Report is filed with the SOS’s office by the specified date, as required by state law.

**District’s Response:** The District failed to respond.

**Repeat Finding:** No.

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**Finding #6:** The District Should Ensure Compliance with State Law Regarding Reemployment of Retired Public Employees.

**Applicable State Law:** *Section 25-11-127(4)(a)(b)* states, “The provisions of this section shall not be construed to prohibit any retiree, regardless of age, from being employed and drawing a retirement allowance either: (a) For a period of time not to exceed one-half (½) of the normal working days for the position in any fiscal year during which the retiree will receive no more than one-half (½) of the salary in effect for the position at the time of employment, or (b) For a period of time in any fiscal year sufficient in length to permit a retiree to earn not in excess of twenty-five percent (25%) of retiree’s average compensation...”

**Finding Detail:** During the review of the District’s Public Employees’ Retirement System of Mississippi (PERS) Form 4Bs, the auditor noted two retirees were paid more than the allowed salary by PERS, totaling **\$2,175**.

Failure to ensure that rehired retirees are not paid more than allowed resulted in noncompliance with state law.

**Recommendation:** We recommend the District ensure compliance by implementing adequate internal controls to ensure rehired retirees are properly paid, as required by state law.

**District’s Response:** The District will ensure compliance by implementing adequate internal controls to ensure rehired retirees are properly paid and all forms are submitted to PERS with 5 days of the rehired date.

**Repeat Finding:** No.

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**Finding #7:** The District Should Ensure Compliance with State Law Regarding Surety Bonds.

**School Board Policy:** *Section D, Fiscal Management, Policy DH, Bonded Employees*, states, “The School Board of this school district may, in its discretion, employ one or more persons as security personnel and may designate such persons as peace officers in or on any property operated for school purposes by such Board upon taking such oath and making such bond as required of a constable of said county in which the school district is situated. §37-7-321.”

**Applicable State Law:** *Section 25-1-12(1)* states, “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 25-1-15(2)* 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 25-1-19(1)* states, “...The bond of all other county officers and employees, or officers and employees for any district, subdivision, board or commission of a county, including public school districts, shall be approved by the board of supervisors of such county. All the bonds shall be filed and recorded in the office of the chancery court of the county...”

*Section 37-6-15(1)(2)* states, “(1) 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 (\$50,000.00), with sufficient surety, to be payable conditioned and approved in the manner provided by law. (2) The school board may execute a blanket bond for each school district official and employee (including school business managers and any other employee who receipts and/or disburses school district funds) in the penalty of Fifty Thousand Dollars (\$50,000.00), unless a different penalty is prescribed by

statute, to be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund.”

*Section 37-39-21* states, “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000.00), with sufficient surety...”

*Section 37-9-31* states, “All school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000.00), with sufficient surety...”

*Section 37-7-321* states, “(1) The school board of any school district within the State of Mississippi, in its discretion, may employ one or more persons as security personnel and may designate such persons as peace officers in or on any property operated for school purposes by such board upon their taking such oath and making such bond as required of a constable of the county in which the school district is situated.”

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

- One blanket bond covering three assistant superintendents was not filed in the Chancery Clerk’s office;
- One blanket bond did not specifically include the names of the individuals under the bond’s coverage;
- One board member, one business manager, one purchasing agent, seventeen principals, and three assistant superintendents were covered by indefinite bonds;
- Eight security resource officers were not bonded for the fiscal year. The District’s board policy requires that its security resource officers are bonded; and
- The District did not make a finding upon its board minutes that 15 cafeteria managers, 12 assistant cafeteria managers, 34 cafeteria cashiers, 22 bookkeepers, and 17 gatekeepers’ jobs were incidental to his or her employment and do not require bonds, would be an occasional, not regularly recurring, handling of funds which is random and infrequent or immaterial amounts of money.

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 District ensure compliance by assuring all employees are properly and sufficiently bonded, as required by state law. Additionally, the Board should ensure all bonds for employees and officials are filed with the Chancery Clerk’s office.

**District’s Response:** The District failed to respond.

**Repeat Finding:** No.