

MOSS POINT 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

September 16, 2024

Limited Internal Control and Compliance Review Management Report

Moss Point School District
4924 Church Street
Moss Point, MS 39563

Dear Members of the Moss Point School Board:

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

1. Strengthen Internal Controls Regarding Activity/Athletic Fund Cash Receipts and Deposits;
2. Ensure Compliance with State Law Regarding Emergency Purchases;
3. Ensure Compliance with State Law Regarding Approval and Justification of Merchant – Specific Credit Cards and Membership Club Cards;
4. Ensure Compliance with State Law Regarding Statements of Economic Interest (SEIs);
5. Ensure Compliance with State Law Regarding Certified Employees' Personnel Files;
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 you find our recommendations enable the **Moss Point 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 **Moss Point 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 identified certain deficiencies in internal control that we consider to be a *significant deficiency* in internal control. This matter is noted under the heading **SIGNIFICANT 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;
COSO - *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission*;
District – Moss Point School District;
MDEAMSD – *Mississippi Department of Education Accounting Manual for School Districts*;
PERS – Public Employees' Retirement System; and
Section – *Mississippi Code Annotated (1972)*.

SIGNIFICANT DEFICIENCY

Finding 1: The District Should Strengthen Internal Controls Regarding Activity/Athletic Fund Cash Receipts and Deposits.

Internal Control Deficiency: The *COSO* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Good internal controls require the functions of processing, recording transactions, and maintaining custody of related assets be properly recorded to ensure the assets are safeguarded against loss from unauthorized use or theft.

Applicable Administrative Guidance: *MDEAMSD, Section B, Miscellaneous Issues, Subject E – Receipt Files*, “All monies shall be receipted to the school district utilizing pre-numbered receipts (two parts) and be maintained in a bound book or ledger. Under no circumstance shall monies be deposited to any bank account without a proper receipting of such monies. Monies should be deposited to the bank timely (based on the district's policy). Any documentation necessary to support the receipts shall be maintained on file. All receipts shall include date, received from, amount, account classification and signature of receiver, at a minimum. Electronic transfers of funds should also have receipts assigned for reporting purposes. Receipt files should be prepared and filed by month. These files should contain receipts filed in numerical order along with supporting documentation for each receipt.”

Finding Detail: During the review of the District's activity funds, the auditor noted a net overage of **\$416** between deposits and tickets sales for varsity football and basketball games.

Inadequate internal controls related to activity funds revenue collections, proper receipting, and depositing could result in a loss of assets and improper revenue recognition.

Recommendation: We recommend the District strengthen internal controls by implementing policies and procedures to ensure receipts from all activity are safeguarded, adequately recognized, and recorded.

District's Response: The bulk of the **\$416** can be contributed to a night where the gatekeepers ran out of tickets for a basketball game. More people than expected showed up to the game due to a rivalry. The gatekeepers continued to allow people in and kept track by paper. Steps have been taken to ensure that tickets will not run out again for any game and to better reconcile ticket sales after games.

Repeat Finding: No.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding 2: The District Should Ensure Compliance with State Law Regarding Emergency Purchases.

Applicable State Law: *Section 31-7-13(k)* states, "If the governing authority, or the governing authority acting through its designee, shall determine that an emergency exists in regard to the purchase of any commodities or repair contracts, so that the delay incident to giving opportunity for competitive bidding would be detrimental to the interest of the governing authority, then the provisions herein for competitive bidding shall not apply and any officer or agent of such governing authority having general or special authority therefor in making such purchase or repair shall approve the bill presented therefor, and he shall certify in writing thereon from whom such purchase was made, or with whom such a repair contract was made. At the board meeting next following the emergency purchase or repair contract, documentation of the purchase or repair contract, including a description of the commodity purchased, the price thereof and the nature of the emergency shall be presented to the board and shall be placed on the minutes of the board of such governing authority. Purchases under the grant program established under Section 37-68-7 in response to COVID-19 and the directive that school districts create a distance learning plan and fulfill technology needs expeditiously shall be deemed an emergency purchase for purposes of this paragraph (k)."

Finding Detail: During the review of the District's purchasing expenditures, the auditor noted one emergency purchase was not spread across the Board's minutes.

Failure to ensure the Board approved an emergency purchase and spread this approval upon its minutes resulted in noncompliance with state law.

Recommendation: We recommend the District ensure compliance by assuring that emergency purchases are approved and are spread across the minutes of the Board meeting following the emergency purchase, as required by state law.

District's Response: This was a misunderstanding of the statute by the Finance Dept. This was considered a service and not a repair or purchase of a commodity. Therefore, we did not believe it needed to be spread across the minutes. In the future, these will be spread across the minutes to ensure we comply with the law.

Repeat Finding: No.

Finding 3: The District Should Ensure Compliance Regarding Approval and Justification of Merchant – Specific Credit Cards and Membership Club Cards.

Applicable Administrative Guidance: *Mississippi Procurement Manual, Chapter 10, Special Procedures, 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, Special Procedures, 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 District’s credit cards, the auditor noted the Board did not approve nor justify the use of its merchant – specific credit card (JC Penny) and membership club card (Sam’s Club).

Failure to approve and maintain on file the justification for the use of the merchant – specific credit card and membership club card resulted in noncompliance with state regulations.

Recommendation: We recommend the District ensure compliance by assuring the use and justification for its merchant – specific credit card and membership club cards are Board approved and maintained on file, as required by state regulations.

District’s Response: The Sam's club membership and JC Penny credit card were established many years before I came to the District in July of 2021. On March 12, 2022, the Board approved my request to apply for State Procurement and Travel cards. All charge transactions are done through these two accounts now. After it was brought to my attention that there was no Board approval on record for the Sam's Club membership, the membership was presented to and approved by the Board on January 17, 2024. The JC Penny credit card is no longer used and being canceled.

Repeat Finding: No.

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

Applicable State Law: *Section 25-4-25(1)(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)(c) states “Required statements hereunder shall be filed as follows: (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.”

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. 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 District's SEIs, the auditor noted that one Board member, who was appointed during fiscal year 2023, did not file an SEI within 30 days of their appointment.

Failure to file the Statement of Economic Interest resulted in noncompliance with *Section 25-4-29(1)(c)* and could result in fines being assessed and a civil judgement being enrolled against the delinquent files, as allowed by *Section 25-4-29(2)*.

Recommendation: We recommend the District ensure compliance by assuring that newly appointed Board members file a Statement of Economic Interest within 30 days of their appointment, as required by state law.

District's Response: Every year, at the January Board meeting, a reminder to Board members to file their Statements of Economic Interest is made a part of the agenda and entered into the minutes. In the future, the District will follow up each month to ensure that all Board members have completed the filing before the May 1st deadline.

Repeat Finding: No.

Finding 5: The District Should Ensure Compliance with State Law Regarding Certified Employees' Personnel Files.

Applicable Administrative Guidance: *MDEAMSD, Section B, Miscellaneous, Personnel Files*, states, "There shall be individual personnel files in the school district central office, which include contracts, support documentation of experience awarded, support documentation of licensure, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals."

Finding Detail: During the review of the District's certified employees' personnel files, the auditor noted two out of 20 employees' personnel files did not include evidence of their educator certifications.

Failure to ensure all personnel files included the certified employees' educator certifications resulted in noncompliance with state regulations.

Recommendation: We recommend the District ensure compliance by assuring copies of the certifications are enclosed in employees' file, as required by state regulations.

District's Response: The District will ensure that all employees' personnel files include all required paperwork and are able to stand alone to support payroll checks issued to individuals.

Repeat Finding: No.

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

Applicable State Law: *Section 25-11-127(4)* 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."

Applicable Administrative Guidance: *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 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 review of the District's payroll and PERS Form 4Bs, the auditor noted the following exceptions:

- One retiree was paid more than the allowed salary by PERS, totaling \$54;

- Seven PERS Form 4Bs did not have evidence of the retirement date; and
- 16 PERS Form 4Bs did not have evidence of being filed with PERS.

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

Recommendation: We recommend the District ensure compliance by assuring all rehired retirees salaries are properly paid and Form 4Bs are properly completed and filed with PERS, as required by state law and regulations.

District's Response: The District has recently changed its procedure for filing 4Bs and we are confident that this will stop any delays in the sending of 4Bs. New controls have been implemented to ensure rehired retirees do not earn over their PERS limit.

Repeat Finding: No.

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

School Board Policy: *Section D, Fiscal Management, Policy Code DJEA, Purchasing Authority*, provides that in addition to the Superintendent, the Board designates Assistant Superintendent, Business Manager, Assistant Business Manager, Child Nutrition Manager, and Principals as Purchasing Agents.

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 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. The premium upon said bond shall be paid from the maintenance funds of the district served by such principal. Such bond shall be payable, conditioned and approved in the manner provided by law. All such bonds shall be filed and recorded in the office of the clerk of the chancery court of the county in which the school district is located."

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. Such bonds shall be payable, conditioned and approved in the manner provided by law, and shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located. The premium on said bond shall be paid out of the school district(s) maintenance fund(s)."

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

- The following individuals were covered by verification certificates:
 - Two Board members;
 - One principal; and

- Child Nutrition Supervisor.
- Two principals were not bonded for the fiscal year;
- The following individuals were not bonded: two gate keepers, athletic coordinator, seven bookkeepers, and cafeteria cashiers. The District did not make a finding upon its Boards minutes that their handling of cash is incidental to their employment, would be an occasional, not regularly occurring, handling of funds and do not require bonds; and
- The District's purchasing authority policy designates the Superintendent, Assistant Superintendent, Business Manager, Child Nutrition Manager, and principals as purchasing agents; however, the Assistant Superintendent, Business Manager, Child Nutrition Manager, and principals are not bonded as such.

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 employees are bonded according to Board policies.

District's Response: The School District has made many changes to ensure that personnel are properly bonded. The gatekeepers, athletic coordinator and District bookkeepers will be bonded. There is a memo to be spread across the January Board Meeting to validate the reasoning behind cafeteria workers not being bonded. The Assistant CFO and Food Nutrition Supervisor are having their bond changed from their position to say "purchasing agent".

Repeat Finding: No.

End of Report