#576

Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER)

Report to
the Mississippi Legislature

A Review of the Pat Harrison Waterway District's Expenditures, FY 2011-FY 2013

The Pat Harrison Waterway District (PHWD) operates recreation, flood control, and water management programs in the southeastern quadrant of the state. The district is funded by ad valorem tax collections, fees, and other revenues.

In response to complaints that PHWD had not been prudent with its expenditures, PEER sought to determine whether the district utilizes its funds in a prudent manner to fulfill its statutory purposes.

Regarding the district's budgeting for FY 2011 through FY 2013, PEER concluded that because PHWD lacks precision in budgeting for its programmatic and operational expenditures, the district cannot ensure that it spends its funds in accordance with the requirements of state law or that a third party, such as a member county, can easily track the sources and uses of funds.

Regarding specific complaints about the district's expenditures, PEER concluded the following:

- Based on analysis of a sample of the district's procurement card expenditures for FY 2011 through FY 2013, PEER believes that the district's expenditures for those years complied with state procurement card regulations as well as with the district's own purchase approval process.

- The district's Executive Director has not limited the use of his American Express corporate card to reimbursable expenses incurred on official state business-related travel, as the Department of Finance and Administration's regulations require.

- Typically, PHWD's board of directors holds its monthly meetings in the district's office in Hattiesburg. However, for its December meetings in 2010 and 2011, the board met at a local restaurant and invited members of the boards of supervisors of the counties within the district, area legislators, and their guests. The district expended $5,507 for meals for both December meetings combined. Individual members of the board of directors personally paid for meals of spouses or guests for both December meetings.

October 8, 2013

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms, with one Senator and one Representative appointed from each of the U. S. Congressional Districts and three at-large members appointed from each house. Committee officers are elected by the membership, with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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The Mississippi Legislature

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October 8, 2013

Honorable Phil Bryant, Governor
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Honorable Philip Gunn, Speaker of the House
Members of the Mississippi State Legislature

On October 8, 2013, the PEER Committee authorized release of the report entitled **A Review of the Pat Harrison Waterway District's Expenditures, FY 2011-FY 2013.**

Representative Ray Rogers, Chair

This report does not recommend increased funding or additional staff.

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A Review of the Pat Harrison Waterway District's Expenditures, FY 2011-FY 2013

Executive Summary

Introduction

PEER received a legislative request for a review of the expenditures of the Pat Harrison Waterway District (PHWD). Legislators had received complaints that the district has not been prudent with its expenditures. Complainants alleged excessive district spending on nonessential items procured through the agency's credit cards.

The PEER Committee sought to determine whether the Pat Harrison Waterway District utilizes its funds in a prudent manner to fulfill its statutory purposes. PEER limited the scope of the review to fiscal years 2011 through 2013. Also, because of the PEER Committee's longstanding practice of not reviewing the subject matter of litigation, PEER's fieldwork and this report did not touch upon or address subjects that were in litigation involving the Pat Harrison Waterway District and Lamar County and are currently on appeal.[1]

Background

MISS. CODE ANN. Section 51-15-103 (1972) created the Pat Harrison Waterway District, composed originally of fifteen counties in the southeastern quadrant of the state: Clarke, Covington, Forrest, George, Greene, Jackson, Jasper, Jones, Lamar, Lauderdale, Newton, Perry, Smith, Stone, and

[1] MISS. CODE ANN. Section 51-15-118 (1972) states that the board of supervisors of any county that is included in the Pat Harrison Waterway District may elect to withdraw from the district and that the withdrawing county shall be responsible for paying its portion of any district bonds, contractual obligations, and any other indebtedness and liabilities of the district that are outstanding on the date of the county's withdrawal. On September 6, 2011, the Lamar County Board of Supervisors voted to withdraw from the Pat Harrison Waterway District. While PEER was conducting fieldwork for this report, Lamar County and the PHWD were in litigation to determine the amount the county is to pay to satisfy the district's financial obligation. A judgment was rendered on August 29, 2013, but is being appealed by the district. The PEER Committee takes no position in this report on the merits of any argument raised by Lamar County or the Pat Harrison Waterway District respecting the financial obligations of Lamar County to the district or the financial impact of Lamar County's withdrawal from the district.

Wayne. Presently, the district operates three programs: recreation, flood control, and water management.

The district has a board of directors consisting of a member from each county appointed by the board of supervisors in that county and three members from the district at large appointed by the Governor (see MISS. CODE ANN. Section 51-15-105 [1972]). The district currently employs seventy individuals (fifty-five full-time and fifteen part-time) in divisions that include personnel, payroll, accounting, purchasing, marketing, reservations, parks, and maintenance.

Revenues

The Pat Harrison Waterway District collected a total of $16,890,050 in revenues from FY 2011 through FY 2013.

The Pat Harrison Waterway District is funded by a combination of ad valorem tax collections, fees, and miscellaneous revenues, as follows:

- *Ad valorem tax collections*--State law requires that counties that are members of the PHWD contribute a portion of their ad valorem tax collections for the support of the district and its programs. From FY 2011 through FY 2013, the district collected $8,017,296 (47.5% of its total revenues) from member counties' ad valorem tax contributions.
- *Fees*--The district receives part of its revenues from fees generated at its nine parks and various recreational facilities (e. g., admission fees, rental fees, and profit from sales of concessions and firewood). From FY 2011 through FY 2013, the district collected $8,756,830 (51.8% of its total revenues) from fees generated by the district's recreational facilities.
- *Miscellaneous*--The district's miscellaneous revenue sources include investment income and timber sales, although the district did not report receiving any revenues from timber sales in FY 2011 through FY 2013. From FY 2011 through FY 2013, the district collected $115,924 (.7% of its total revenues) from investment income.

Expenditures

How does the Pat Harrison Waterway District budget for its expenditures?

Because the district lacks precision in budgeting for its programmatic and operational expenditures, it cannot ensure that it spends its funds in accordance with the requirements of state law or that a third party, such as a member county, can easily track the sources and uses of funds.

Based on a review of the district's FY 2011 through FY 2013 budgeting, PEER concluded the following.

- As required by state law, PHWD provides member counties with an annual budget of expenditures for support, maintenance, and operation of the district.
- Because PHWD staff prepare the district's annual operating budget based on the previous fiscal year's estimated expenditures rather than the previous fiscal year's actual expenditures, neither the district's board of directors nor member counties have a clear understanding of the district's actual expenditures.
- PHWD does not calculate and ask for each county's pro rata share of the district's budget (up to the statutorily capped amount) when making its annual funding requests to the counties.[2] Rather, the district asks each county (except Jackson County) for an amount equal to 7/8 mill. Thus a county could unknowingly be paying more than its pro rata share by paying the full 7/8 mill (or 2/10 mill for Jackson County).
- Because PHWD does not prepare a five-year plan of projects as required by state law, the district cannot accurately prepare its annual operating budget and member counties are not informed of projects that the district plans to undertake.
- The district's annual operating budget does not incorporate some of the costs associated with the district's maintenance needs because it does not include costs of maintenance projects identified either through the district's current Parks Review Committee or through a more formal preventative maintenance plan.

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[2]MISS. CODE ANN. Section 51-15-129 (1972) requires that all of the district's member counties, with the exception of Jackson County, contribute to the district up to seven-eighths of a mill of the total assessed valuation of their respective county. Jackson County is required to contribute up to two-tenths of a mill.

- Because the district does not validate counties' ad valorem contributions, it cannot develop an accurate budget or ensure that it spends the statutorily required amounts on projects within each member county.

How did the district expend its funds from FY 2011 through FY 2013?

The Pat Harrison Waterway District expended the majority of its funds in the budget categories of Salaries, Wages, and Fringe Benefits and Contractual Services during fiscal years 2011 through 2013. PEER notes that because of the PHWD Board of Directors' monthly meeting schedule, each month the district pays each attending member per diem for two days and reimburses mileage for two round trips to Hattiesburg at the state rate, with expenditures of $143,678 for board meetings during the three-year period of review.

Do the district's expenditure patterns result in a significant cash balance?

As of June 30 2013, the district had a cash balance of approximately $6.8 million. Of this amount, the district was obligated to pay approximately $1.2 million to counties upon the completion of approved county works projects. Although the district's staff considers the remaining balance of approximately $5.6 million to be "restricted," PEER found no legal or accounting basis for restricting such cash.

Status of Specific Complaints Regarding the District's Expenditures

Has the Pat Harrison Waterway District complied with applicable policies and procedures governing the use of agency procurement cards?

The Department of Finance and Administration has authorized an agency procurement card program whereby a state agency may make certain small purchases without a purchase order. PEER reviewed a sample of PHWD's procurement card expenditures for FY 2011 through FY 2013 and, based on the level of detail provided, determined that the expenditures complied with state procurement card regulations as well as with the district's purchase approval process.

The Pat Harrison Waterway District participates in the state's procurement card program and assigns procurement cards to nineteen employees, primarily park employees. According to the district's Procurement Card Coordinator, the cards are to be used for emergency purchases, for after-hours purchases when there is no time to submit a purchase requisition, and for making purchases from vendors who do not accept purchase orders.

For the period FY 2011 through FY 2013, district employees expended $79,446 through procurement cards--five percent of the district's commodity expenditures for the three-year period. Purchases reviewed by PEER were made primarily from vendors who do not accept purchase orders and were for items such as linens for cabins, postage stamps, and refreshments for district board meetings.

PEER notes that the Committee's review focused on the PHWD staff's adherence to district policies regarding approval of purchases for procurement cards and did not include tracking individual items to their ultimate use by the district. Appropriate oversight by district officials and adherence to internal controls by district personnel are vital to ensuring that commodities are appropriately used to fulfill the district's needs.

Has the Pat Harrison Waterway District complied with applicable policies and procedures governing the use of agency credit cards?

PHWD's Executive Director has not limited the use of his American Express corporate card to reimbursable expenses incurred on official state business-related travel, as DFA regulations require.

The Department of Finance and Administration (DFA) has contracted with American Express to issue corporate credit cards to employees of state agencies solely for business-related travel.

PEER reviewed the PHWD Executive Director's American Express corporate credit card records for FY 2011 through FY 2013 and found several instances of noncompliance with DFA's regulations regarding the use of a corporate credit card. PEER found instances during the review period in which the Executive Director used the card for expenses other than business-related travel and for the travel expenses of persons other than himself. Also, the district routinely paid the Executive Director's American Express bill rather than requiring him to pay the bill himself and request reimbursement from the district, as DFA regulations require.

Does the district have an annual Christmas party for its staff and local officials?

The PHWD Board of Directors held its monthly meetings for December 2010 and December 2011 at a local restaurant and invited members of the boards of supervisors of the counties within the district, area legislators, and their guests. The district expended $5,507 for meals for both December meetings combined. Individual members of the board of directors personally paid $2,190.90 for meals of spouses or guests for both December meetings combined. The district did not hold a similar meeting in December 2012.

Typically, the Pat Harrison Waterway District Board of Directors holds its monthly meetings in the district's office in Hattiesburg. However, for its December meetings in 2010 and 2011, the board met at Mack's on the River, a restaurant approximately eight miles north of the district's office.

While the PHWD board and staff believe that they have complied with the restrictions placed by the state on meals provided as part of a meeting, PEER makes the following observations:

- DFA guidelines state that meals are allowable "if it is more efficient to provide the food on site rather than leave the premises." As stated previously, the board of directors typically meets at the district's central office in Hattiesburg with the regular board meetings beginning at 4 p. m., during which they are usually provided a meal on site, presumably because the district determined this to be more efficient than leaving the premises for a meal. The board held both of the December meetings in question "off site" at a local restaurant, with the meeting times being an hour later than usual. Therefore, PEER questions why holding the two December meetings off site and providing meals at a restaurant would not contradict the district's reasoning regarding its other monthly meetings.
- DFA guidelines also state that the meeting "must last a reasonable time before and after a meal to be served as part of the meeting." Typically, the board of directors meets for approximately two to three hours each month. The board conducted business for thirty minutes or less during the two December meetings in question. The minutes do not reflect that the board reconvened its meeting following the meal. Thus the two December meetings appear not to conform with this DFA guideline.

Recommendations

1. In order to provide the Legislature and the board of directors with a more realistic presentation of the district's budgetary needs, PHWD staff should base the district's annual operating budget on the prior year's actual expenditures rather than estimated expenditures or the district's legislatively approved spending authority. Should the district determine that it has a need beyond its typical spending pattern, the district should include a justification in its budget request for consideration by the Legislature during the appropriation process.
2. In June of each year, following the PHWD board's adoption of the upcoming fiscal year's budget, PHWD staff should comply with MISS. CODE ANN. Section 51-15-129 (1972) by utilizing the most recent assessed valuation of each member county

to determine each county's pro rata share of the district's annual operating budget. The PHWD Board of Directors should notify each member county's board of supervisors of the amount of that county's share of the district's budget, requesting that each board of supervisors assess ad valorem millage not to exceed the cap set by law to generate funds for that county's share.

Considering the process and timing provided in law for counties' appraisal of property, appeals of such appraisals, and approval of ad valorem tax rolls by the Department of Revenue, the Legislature should amend MISS. CODE ANN. Section 51-15-129 (1972) to require that PHWD use the state-approved assessed valuations as of November 1 of each year to confirm the accuracy of the amount of each county's pro rata share. The section should require member counties to remit their pro rata shares in the form of ad valorem contributions no later than March 1 of the following year.

3. Rather than providing member counties with copies of the district's five-year strategic plan that is an addendum to its budget request to the Legislature, the district should annually compile a five-year plan containing the purposes, goals, and projected costs of projects it intends to implement or is in the process of implementing, as required by MISS. CODE ANN. Section 51-15-119 (2). The district should utilize the five-year plan to help develop its annual operating budget.

4. To aid it in developing its five-year project plan (see previous recommendation), the district should develop a formal preventative maintenance plan. Such a plan would allow district staff to:

    a. collect information necessary to identify maintenance needs, plan maintenance projects, set project priorities to target resources toward highest needs, and estimate costs;

    b. schedule a timeline for projects and prepare procedures for managing the projects;

    c. develop a work order system and keep systematic maintenance records;

    d. ensure that maintenance employees have appropriate training to complete the tasks expected of them in a competent and safe manner; and,

    e. include appropriate maintenance employees in decisions on facility matters.

5. In light of MISS. CODE ANN. Section 51-15-129 (1972), the district should independently validate

the ad valorem contributions to be received annually from each member county by multiplying each county's millage rate dedicated to the district by each county's assessed valuation. Should a county's ad valorem contribution differ from the amount calculated by the district, PHWD staff should confer with county officials to resolve the discrepancy. In addition, the district should formally track payments made to counties through its Works Projects program to ensure that the district annually provides back to each county payments amounting to the statutorily required amount (currently 1/8 mill of the county's 7/8 mill levy and 1/10 mill of Jackson County's 2/10 mill levy.)

6. The PHWD Board of Directors should evaluate the district's practices regarding the restricting of cash on hand without specific legal or programmatic requirement to do so. In addition, the board should consult with its contract CPA firm regarding the development of a cash management strategy for the district to ensure available cash for operating needs as well as future obligations and unforeseen expenses.

7. The PHWD Board of Directors should re-evaluate policies associated with its Works Projects program and impose a deadline by which member counties must complete approved projects and request reimbursement from the district.

8. As part of its cash management analysis (see Recommendation 7), the PHWD Board of Directors should re-evaluate its monthly practice of having committee meetings on a Monday and a full board meeting on a Thursday. The board should attempt to limit its meetings to one day per month in order to reduce the financial burden on the district.

9. The PHWD Board of Directors should require its Executive Director to comply fully with Department of Finance and Administration (DFA) regulations regarding his American Express corporate card. Specifically, the Executive Director should limit use of the card to business-related travel and request reimbursement from the district for such expenses so that he can pay his American Express monthly charges personally.

   Should the board determine that it is necessary for the Executive Director to meet with various government officials regarding the affairs of the district and cover meal costs for such officials, the board should take formal action to authorize such and grant permission for the Executive Director to be provided with a state procurement card. DFA regulations allow food charges on a procurement card as long as the purchase of food has a legitimate business purpose and more than one person is present in the business meeting.

10. The PHWD Board of Directors should re-evaluate its practice of having a December board meeting off-site and providing a Christmas-themed meal for directors, PHWD staff, boards of supervisors, legislators and their guests. MISS. CODE ANN. Section 51-15-105 (5) (1972) already requires each director to meet with the board of supervisors of the county from which the director is appointed twice a year. Because state law provides a means of district officials communicating with county officials, an annual group meeting is not necessary and the district should avoid expenses associated with such a meeting.

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A Review of the Pat Harrison Waterway District's Expenditures, FY 2011-FY 2013

Introduction

Authority

The PEER Committee conducted a review of the Pat Harrison Waterway District's expenditures for FY 2011 through FY 2013. The Committee acted in accordance with MISS. CODE ANN. Section 5-3-51 et seq.

Problem Statement

PEER received a legislative request for a review of the expenditures of the Pat Harrison Waterway District (PHWD). Legislators had received complaints that the district has not been prudent with its expenditures. Complainants alleged excessive district spending on nonessential items procured through the agency's credit cards.

Purpose and Scope

PEER sought to determine whether the Pat Harrison Waterway District utilizes its funds in a prudent manner to fulfill its statutory purposes.

The first chapter of this report provides background information on the district. Subsequent chapters address the district's revenues, expenditures, and complaints regarding selected expenditures. The final chapter provides recommendations.

PEER limited the scope of the review to fiscal years 2011 through 2013. Also, because of the PEER Committee's longstanding practice of not reviewing the subject matter of litigation, PEER's fieldwork and this report did not touch upon or address subjects that were in litigation, and are currently on appeal, involving the Pat Harrison Waterway District and Lamar County (see footnote, page 3).

Method

During the course of this review, PEER:

- reviewed sections of Title 51, Chapter 15, MISSISSIPPI CODE ANNOTATED (1972), regarding the Pat Harrison Waterway Commission and District;
- interviewed district staff;
- reviewed board meeting minutes of the PHWD Board of Directors;
- reviewed the Department of Finance and Administration, Office of Purchasing, Travel and Fleet Management's *State of Mississippi Procurement Manual*, *State Procurement Card Guidelines*, and *State Travel Policy Rules and Regulations*; and,
- reviewed financial information pertaining to the Pat Harrison Waterway District's revenues and expenditures for FY 2011 through FY 2013 (as of June 30, 2013).

Background

This chapter addresses the following questions:

- What is the Pat Harrison Waterway District and how is it governed?
- What programs does the Pat Harrison Waterway District operate?

What is the Pat Harrison Waterway District and how is it governed?

MISS. CODE ANN. Section 51-15-103 (1972) created the Pat Harrison Waterway District, composed originally of fifteen counties in the southeastern quadrant of the state, as a state agency with the purposes of recreation, flood control, economic development, timber development, irrigation, and pollution abatement.

Composition and Statutory Purposes of the Pat Harrison Waterway District

According to MISS. CODE ANN. Section 51-15-103 (1972), the district was to be composed of the following counties: Clarke, Covington, Forrest, George, Greene, Jackson, Jasper, Jones, Lamar, Lauderdale, Newton, Perry, Smith, Stone, and Wayne, all of which are located in the southeastern quadrant of the state. On September 6, 2011, the Lamar County Board of Supervisors voted to withdraw from the Pat Harrison Waterway District.[1]

MISS. CODE ANN. Section 51-15-101 (1972) created the district for the following purposes:

> *It is hereby declared, as a matter of legislative determination, that the waterways and surface waters of the state are among its basic resources, that the overflow and surface waters of the state have not heretofore been conserved to realize their full beneficial use, that the*

[1]MISS. CODE ANN. Section 51-15-118 (1972) states that the board of supervisors of any county that is included in the Pat Harrison Waterway District may elect to withdraw from the district and that the withdrawing county shall be responsible for paying its portion of any district bonds, contractual obligations, and any other indebtedness and liabilities of the district that are outstanding on the date of the county's withdrawal. While PEER was conducting field work for this report, Lamar County and the PHWD were in litigation to determine the amount the county is to pay to satisfy the district's financial obligation. A judgment was rendered on August 29, 2013, but is being appealed by the district. The PEER Committee takes no position in this report on the merits of any argument raised by Lamar County or the Pat Harrison Waterway District respecting the financial obligations of Lamar County to the district or the financial impact of Lamar County's withdrawal from the district.

utilization, development, conservation, and regulation of such waters are necessary to insure an adequate flood control program, sanitary water supply at all times, to promote the balanced economic development of the state, and to aid in conservation and development of state forests, irrigation of lands needing irrigation, and pollution abatement. It is further determined and declared that the preservation, conservation, storage, and regulation of the waters of the Pat Harrison Waterway District overflow waters for domestic, municipal, commercial, industrial, agricultural, and manufacturing purposes, for recreational uses, for flood control, timber development, irrigation, and pollution abatement are, as a matter of public policy, for the general welfare of the entire people of the state.

MISS. CODE ANN. Section 51-15-119 (1972) lists the specific powers of the district. Among these are included:

- developing plans for public works of improvement to make navigable or for the prevention of flood water damage, or the conservation, development, recreation, utilization, and disposal of water;
- impounding overflow water and the surface water of any streams within the district by building dams or reservoirs and to build or acquire facilities for processing water and transporting it;
- foresting and reforesting the area and helping to prevent erosion and flooding;
- entering into contracts with engineers or attorneys to finance, construct, operate and maintain the district's projects and plants; and,
- entering into contracts with municipalities, corporations, districts, public agencies, political subdivisions of any kind, and others for any services, facilities or commodities that the project may provide.

Other powers of the district include, but are not limited to: the power to fix and collect charges and rates for any district services; to operate and maintain with the consent of the governing body of any city or town located within the district, any works, plants or facilities deemed necessary or convenient to the accomplishment of district purposes; and to prevent or aid in the prevention of damage to person or property from the waters of the Pascagoula River or any of its tributaries.

The District's Board and Staff

MISS. CODE ANN. Section 51-15-105 (1972) requires that the district's board of directors consist of a member from each county appointed by the board of supervisors in that county and three members from the district at large appointed by the Governor. (See Appendix A, page 41, for a list of members of the district's board of directors.) Board members serve for terms of four years. The board annually elects a president and vice-president and other officers as necessary. CODE Section 51-15-119 allows the district to employ a general manager or executive director with the power to employ and discharge employees.

The board of directors meets monthly and has designated several committees to conduct the business of the district: finance, policy, works projects, nominating, audit, budget, equipment committee, George County Lake project, marketing, timber management, and parks review.

The district currently employs seventy individuals (fifty-five full-time and fifteen part-time) in divisions that include personnel, payroll, accounting, purchasing, marketing, reservations, parks, and maintenance.

What programs does the Pat Harrison Waterway District operate?

The Pat Harrison Waterway District utilizes its resources to operate three programs; recreation, flood control, and water management.

Recreation

MISS. CODE ANN. Section 51-15-123 (1972) authorizes the district to establish and provide for public parks and recreation facilities. The PHWD recreation program is intended to provide water-related recreational opportunities to its member counties as well as to all other residents of the state. The district owns and operates nine recreational facilities. These facilities include a historic site, lakes, campsites, primitive campsites, a motel, waterslides, and additional support facilities (see Appendix B, page 42, for a profile of the district's recreation facilities and the recreational opportunities provided). In addition to the facilities described in Appendix B, the district operates seven boat ramps in Greene, George, Jackson, and Perry counties.

Flood Control

MISS. CODE ANN. Section 51-15-129 (1972) requires that a specified portion of the funds contributed by the counties to the district be used for flood control and water management. The PHWD flood control program is designed to assist with the planning and development of flood control measures along the rivers and streams of the Pascagoula River Basin. The district utilizes district funds to plan, develop, construct, and operate flood prevention projects throughout the district. According to the district's policy, the Works Projects Grant program is primarily used for flood control and drainage improvements such as culverts, bridges, dredging and snagging of streams and ditches, draining marshy areas, and stream channelization (see page 21 for additional information on the district's Works Projects Grant program).

Water Management

As noted previously, MISS. CODE ANN. Section 51-15-129 (1972) requires that a specified portion of the funds contributed by the counties to the district be used for flood control and water management. Also, CODE Section 51-15-124 states that the district's board of directors has the power to adopt and promulgate regulations to secure, maintain, and preserve the sanitary condition of water in any reservoir within the district.

The district's water management responsibilities are to assist with the planning, management, and improvement of water quality and water supply sources. Water management efforts include keeping lakes at a proper level; building in storage water for domestic, municipal, commercial, industrial, agricultural and manufacturing purposes; inspecting dams; providing quality areas for recreation such as fishing areas; and protecting homes that may be vulnerable to overflow waters or surface waters from any streams within the district.

PHWD staff has noted that another responsibility within the water management program is to identify potential areas in which a water source is needed or could benefit regions within the district. Currently a project is in the planning phase to identify a suitable site for creation of a lake in George County. PHWD staff stated that this lake would benefit the surrounding areas as a new recreational opportunity and that it would create a new water supply that could be used to release water more quickly into Jackson County for utilization by the Chevron industrial plant to keep its pumps operational. PHWD staff stated that this water release already occurs from existing water supplies, but that the location of a lake in George County would allow for water to reach the plant much more quickly than it currently does.

Revenues

This chapter addresses the following questions:

- How is the Pat Harrison Waterway District funded?
- How much did the district collect in revenues from FY 2011 through FY 2013?

How is the Pat Harrison Waterway District funded?

The Pat Harrison Waterway District is funded by a combination of ad valorem tax collections contributed by the district's member counties, fees generated by the district's recreational facilities, and miscellaneous revenue sources such as interest income.

The district's revenues come from the following sources:

- ad valorem taxes required by state law to be contributed to the district from each member county;
- fees generated by the district's recreational facilities; and,
- other miscellaneous revenue sources, such as timber sales and investment income.

Member Counties' Ad Valorem Tax Contributions

State law requires that counties that are members of the Pat Harrison Waterway District contribute a portion of their ad valorem tax collections for the support of the district and its programs.

MISS. CODE ANN. Section 51-15-129 (1972) requires that each of the district's member counties contribute a portion of its ad valorem taxes to support the district. Section 51-15-129 states:

> *. . .each county shall pay a pro rata share (not to exceed the avails of one (1) mill through September 30, 1997, and not to exceed the avails of three-fourths (3/4) mill through September 30, 2005, and not to exceed seven-eighths (7/8) mill thereafter) of the annual district budget based on the proportion that the most recent total assessed valuation of the county bears to the most recent aggregate total assessed valuation of all the counties which comprise the district; provided, however, that any county bordering on the Gulf of Mexico which by action of the board of supervisors*

has created and authorized a port authority and which has been paying into the port authority the avails of a two-mill levy that was established under Section 27-39-3 shall pay an amount not to exceed one-tenth (1/10) mill through September 30, 2005, and not to exceed two-tenths (2/10) mill thereafter, of the total assessed valuation of the county to the Pat Harrison Waterway District pursuant to this section and the assessed valuation of that county shall not be considered when calculating each county's pro rata share of the district's budget. . . .It shall be the duty of the Pat Harrison Waterway District Board of Directors in the month of July annually upon receipt of the total assessed valuation of the member counties, certified by the Mississippi State Tax Commission, to prepare a request to the board of supervisors of member counties to levy a tax using the formula herein established not to exceed the maximum number of mills authorized by this section.

Thus all member counties, with the exception of Jackson County, are required to contribute to the district up to seven-eighths of a mill of the total assessed valuation of their respective county. Jackson County is required to contribute up to two-tenths of a mill. As noted on page 3, Lamar County withdrew from the district on September 6, 2011, and as of the date of this report, that county and the PHWD were in litigation to determine the amount the county is to pay to satisfy the district's financial obligation.

Fees Generated by the District's Recreational Facilities

The district receives part of its revenues from fees generated at its nine parks and various recreational facilities (e. g., admission fees, rental fees, and profit from sales of concessions and firewood).

As noted previously, the district operates nine parks with various recreational facilities. The district receives fees generated at these parks from sources such as waterslide admission fees; cabin, boat, campsite, and recreational equipment rentals; fireworks display admission fees; net income from the sale of concessions and firewood; and fees from the use of laundry facilities.

Miscellaneous Revenue Sources

The district's miscellaneous revenue sources include investment income and timber sales, although the district did not report receiving any revenues from timber sales in FY 2011 through FY 2013.

Investment Income

The PHWD currently has approximately $4.5 million in seventeen certificates of deposit. These certificates include unencumbered cash that the district has designated for operation of recreational facilities and encumbered cash to fund obligated county works projects. The district certificates of deposit also include a maintenance fund for the repair or maintenance of cabins, prior years' timber sales, and funds to service a long-term debt agreement for the Okatibbee Creek park, which was built by the U. S. Army Corps of Engineers.

Timber Sales

Although the district receives income from sales of timber in some years, the district did not report any revenues from timber sales in fiscal years 2011 through 2013.

How much did the district collect in revenues from FY 2011 through FY 2013?

The Pat Harrison Waterway District collected a total of $16,890,050 in revenues from FY 2011 through FY 2013.

As shown in Exhibit 1, page 10, Pat Harrison Waterway District collected $6,086,307; $5,712,570; and $5,091,173 in revenues in FY 2011, FY 2012, and FY 2013, respectively. Appendix C, page 43, presents additional details on the revenues the district collected from FY 2011 through 2013, by source (i. e., counties' ad valorem contributions, fees generated from recreational facilities, and interest income).

Exhibit 1: Pat Harrison Waterway District Revenue Totals for FY 2011-FY 2013 (as of June 30, 2013)

Revenue Source	FY 2011	FY 2012	FY 2013	Three-Year Total By Source	Three-Year %age by Source
Counties' ad valorem contributions	$2,865,474	$2,648,294	$2,503,528	$8,017,296	47.5%
Fees from recreational facilities	3,154,767	3,033,137	2,568,926	8,756,830	51.8%
Investment income	66,066	31,139	18,719	115,924	0.7%
Total	**$6,086,307**	**$5,712,570**	**$5,091,173**	**$16,890,050**	**100%**

SOURCE: Pat Harrison Waterway District's Accounting Division.

Revenues Collected from Member Counties' Ad Valorem Tax Contributions

For FY 2011 through FY 2013, the district collected $8,017,296 (47.5% of its total revenues) from member counties' ad valorem tax contributions. However, the PHWD central office staff did not validate the amounts of ad valorem tax contributions received to verify whether each county is in compliance with the requirements of MISS. CODE ANN. Section 51-15-129 (1972).

As noted on page 7, MISS. CODE ANN. Section 51-15-129 (1972) requires counties that are members of the Pat Harrison Waterway District to contribute a specified portion of their ad valorem tax collections for the support of the district and its programs.

From FY 2011 through FY 2013, the district collected a total of $8,017,296 in ad valorem contributions from member counties. Appendix C, page 43, presents the district's collections from each member county from FY 2011 through FY 2013.

As stated on page 7, of the member counties' annual ad valorem collections, state law requires counties to pay to the district an amount not to exceed 7/8 of a mill (2/10 of a mill for Jackson County). While the member counties have made their annual contributions to the district, as noted in Appendix C on page 43, the district does not independently verify ad valorem contributions that should be received from the member counties each year based on the counties' assessed valuations and millage amounts designated by the boards of supervisors. The district simply accepts amounts that are remitted by the counties.

To verify the ad valorem contributions, the district would have to require the member counties to submit their most recent assessed valuations as certified by the Department of Revenue. After being informed by the member counties' boards of supervisors as to the exact millage rate set by the counties for PHWD, district staff could apply the millage rate to the assessed valuation to compute the amount of ad valorem revenues that should be received from the counties.

However, various provisions of Title 27, Chapter 35, MISS. CODE ANN. (1972) related to ad valorem property assessments would make it virtually impossible for a county to have a final state-approved real property assessed valuation tax roll by July 1, the beginning of the district's fiscal year. Procedurally, following a county's compilation of the assessed valuation of all real property in the county, the boards of supervisors are required to equalize such assessments, hear protests from taxpayers, and eventually transmit the county's tax rolls to the state Department of Revenue for review and approval. Even in a best-case scenario, it is unlikely that a county would have an approved final ad valorem tax roll until late September. Therefore, PHWD could not accurately compute the ad valorem amounts to be paid by each member by July 1. Such computation would have to occur later in the fiscal year, which the district does not do.

Revenues from Fees Generated by the District's Recreational Facilities

For FY 2011 through FY 2013, the district collected $8,756,830 (51.8% of its total revenues) from fees generated by the district's recreational facilities.

Appendix C, page 43, shows the district's revenues from fees generated by recreational facilities for FY 2011 through FY 2013, by facility. The Flint Creek and Okatibbee Creek facilities have generated the largest amount of revenues for the last three fiscal years, most likely due to the fact that the district's two waterslides are housed at these two locations. Revenues generated from the waterslides are included in the amounts for the Flint Creek and Okatibbee Creek facilities in Appendix C.

Investment Income

For FY 2011 through FY 2013, the districted collected $115,924 (.7% of its total revenues) from investment income.

PEER notes that the district's interest income steadily declined from FY 2011 through FY 2013 (see Appendix C, page 43). PEER attributes this to the fact that the district's certificates of deposit are currently earning rates of return ranging from .05% to .5%.

Expenditures

This chapter addresses the following questions:

- How does the Pat Harrison Waterway District budget for its expenditures?
- How did the district expend its funds from FY 2011 through FY 2013?
- Do the district's expenditure patterns result in a significant cash balance?

How does the Pat Harrison Waterway District budget for its expenditures?

Because the district lacks precision in budgeting for its programmatic and operational expenditures, it cannot ensure that it spends its funds in accordance with the requirements of state law or that a third party, such as a member county, can easily track the sources and uses of funds.

With regard to the preparation of a budget for the district's expenditures, MISS. CODE ANN. Section 51-15-158 (1) (1972) states the following:

> *On or before the fifteenth day of July of each year, the board of directors of the district shall prepare and file with the clerk of the board of supervisors of each member county at least two (2) copies of a budget of estimated expenditures for the support, maintenance and operation of the district for the fiscal year commencing on July 1 of the succeeding year.*

As stated on page 3, MISS. CODE ANN. Section 51-15-103 (1972) establishes the Pat Harrison Waterway District as a state agency. As such, the district is subject to MISS. CODE ANN. Section 27-103-129 (1972), which requires general-fund and special-fund agencies to submit budget requests annually to the Legislative Budget Office (LBO) for use by the Joint Legislative Budget Committee in making an annual budget recommendation to the Legislature.

LBO budget request instructions require agencies to report their actual expenditures for the most recently completed fiscal year, estimated expenditures for the current fiscal year, and projected expenditures for the upcoming fiscal year. Such expenditures are to be reported by major objects of expenditures—e. g., salaries, wages, and fringe benefits; travel; contractual services; commodities; capital outlay; and, subsidies, loans and grants. (See Appendix D, page 45, for an example of the Legislative Budget Office's MBR-1 form, which is the summary document for an agency's annual budget request.)

PEER reviewed how the Pat Harrison Waterway District budgets for the expenditure of its funds and concluded that:

- the district provides its member counties with a copy of its annual operating budget, as is required by law;
- the district prepares its annual operating budget based on the previous fiscal year's *estimated* expenditures rather than actual expenditures;
- the district's staff does not determine each county's pro rata share of the district's budget and subsequently communicate those amounts to the counties when making its annual funding requests to the counties;
- the district does not annually prepare and distribute to its member counties a prioritized five-year plan of projects, along with associated costs, as is required by state law;
- the district's annual operating budget does not incorporate some of the costs associated with the district's maintenance needs; and,
- because the district does not validate counties' ad valorem contributions in comparison to their assessed valuations, it cannot develop an accurate budget or ensure that it spends the statutorily required amounts on projects within each county.

The following subsections contain additional details on each of these points.

Statutory Requirement for Annually Disseminating the District's Operating Budget to Member Counties

As required by state law, PHWD provides member counties with an annual budget of expenditures for support, maintenance, and operation of the district.

With regard to the district's operating budget, MISS. CODE ANN. Section 51-15-158 (1) (1972) states the following:

> *On or before the fifteenth day of July of each year, the board of directors of the district shall prepare and file with the clerk of the board of supervisors of each member county at least two (2) copes of a budget of estimated expenditures for the support, maintenance and operation of the district for the fiscal year commencing on July 1 of the succeeding year.*

According to PHWD's Director of Accounting and Finance, the district provides copies of the MBR-1 form from its annual Legislative Budget Office budget request (see Appendix D, page 45) to member counties in an effort to comply with reporting requirements of Section 51-15-158. As stated on page 13, the MBR-1 document informs member counties of the district's actual expenditures for the most recently completed fiscal year as well as estimated expenditures for the upcoming fiscal year. Member counties acknowledged to PEER that they routinely receive copies of the district's MBR-1 form from PHWD staff.

Development of the District's Operating Budget

Because PHWD staff prepare the district's annual operating budget based on the previous fiscal year's estimated expenditures rather than the previous fiscal year's actual expenditures, neither the district's board of directors nor member counties have a clear understanding of the district's actual expenditures.

According to PHWD's Director of Accounting and Finance, the district's staff considers amounts in the estimated expenditures column of the Legislative Budget Office MBR-1 form to be the district's operating budget for the current fiscal year. The Director of Accounting and Finance explained to PEER that district staff arrive at the estimated expenditure amounts by examining the estimated expenditures for the prior fiscal year and determining whether to increase amounts for the major objects of expenditure, other than salaries, wages and fringe benefits, by certain percentages. For example, in the district's FY 2012 and FY 2013 budget requests, district staff increased the travel, contractual services, and commodities major objects of expenditures by 5% over the previous year's estimated expenditure amounts to reflect anticipated expenditure increases due to inflation.

With regard to expenditures, a state agency budget should include obligations to be incurred payable from agency resources during a specified period, typically a fiscal year. To be informative to policy makers, an agency's expenditure budget should be based on documented expenditure patterns—i. e., experience—while reflecting any adjustments for known or anticipated increases in expenditures for certain circumstances. The district's method of developing its operating budget does not adhere to such principles because each year district staff use *estimated* expenditures rather than actual expenditures to construct the budget for the upcoming fiscal year. This practice typically results in an overestimation of the district's needs, as illustrated in Exhibit 2, page 16.

Exhibit 2: Pat Harrison Waterway District's Estimated Expenditures vs. Actual Expenditures, FY 2011 through FY 2013

Fiscal Year	Estimated	Actual	Difference
2011	$7,327,131	$5,898,556	$1,428,575
2012	$7,504,731	$5,603,112	$1,901,619
2013	$7,669,294	$5,460,856	$2,208,438

SOURCE: FY 2012-2014 Pat Harrison Waterway District legislative budget requests.

As shown in Exhibit 2, the district's actual expenditures decreased during fiscal years 2011 through 2013, while the district's estimated expenditures--i. e., the district's operating budget--increased by approximately 5% over the same period.

The Legislature enacts an appropriation bill each fiscal year that becomes the maximum amount that the district is permitted to expend during the fiscal year. According to PHWD's Director of Accounting and Finance, district staff base the district's budget request--i. e., the district's annual operating budget--on estimated expenditures rather than actual expenditures to ensure that the district's annual appropriation bill includes spending authority that is in excess of the district's true expenditure needs. The district's practice of basing its annual operating budget on estimated expenditures rather than actual expenditures prevents the Legislature, as well as the district's member counties, from having a clear understanding of the district's true expenditure levels.

The District's Millage Requests to Member Counties

PHWD does not calculate and ask for each county's pro rata share of the district's budget (up to the statutorily capped amount) when making its annual funding requests to the counties. Rather, the district asks each county (except Jackson County) for an amount equal to 7/8 mill. Thus a county could unknowingly be paying more than its pro rata share by paying the full 7/8 mill (or 2/10 mill for Jackson County).

MISS. CODE ANN. Section 51-15-129 (1972) requires member counties to pay a pro rata share of the district's annual operating budget "based on the proportion that the most recent total assessed valuation of the county bears to the most recent aggregate total assessed valuation of all the counties which comprise the district." For purposes of calculating each county's pro rata share of the district's budget, that same CODE section excludes Jackson County's assessed valuation from the aggregate total assessed valuation of all counties. Also, as noted on page 7, CODE Section 51-15-129 states that each member county's ad valorem contribution is "not to exceed 7/8 mill," except for Jackson County, which is capped at 2/10 mill.

According to PHWD's Director of Accounting and Finance, the district's staff does not determine each county's pro rata share of the district's budget and subsequently communicate those amounts to the counties when making its annual funding requests. The process that the district currently follows each year to make its funding requests is for the President of PHWD's Board of Directors to send a letter to each member county's board of supervisors formally requesting that county to pay to the district an amount *equal to* 7/8 mill (with the exception of Jackson County, from which the letter requests "an amount not to exceed 2/10 mill"). Thus the district is not complying with the letter of the law because it does not ask for each county's pro rata share *up to* the amount of the statutory cap and counties do not know the amounts of their pro rata shares.

PEER notes that because the district does not validate the ad valorem tax contributions from member counties against the counties' most recent total assessed valuation (see page 10), neither the district nor the counties know whether the contributions made are for the proper amount. Also, as described on page 11, another factor in this situation is the timing associated with counties receiving state approved final ad valorem tax rolls on which to base millage assessments.

In addition to not complying strictly with MISS. CODE ANN. Section 51-15-129 (1972), the effect of this practice is that although not likely given the size of the district's budget ($7,669,294 in FY 2013; see page 15 regarding how the district develops its budget each year), technically, a county's pro rata share of the district's budget (based on that county's most recent total assessed valuation) could be less than 7/8 mill (or less than 2/10 mill for Jackson County) if property values in that county were to drop. It is possible that a county could be paying more than its pro rata share by paying the full 7/8 mill (or 2/10 mill for Jackson County), which is what the district requests from the counties.

Also, based on the information below, the district is accepting less from some counties than their pro rata shares and less than the statutorily capped amount. During August 2013, PEER contacted member counties in the district and asked what millage rate each was levying to provide its financial contribution to the district and presents this information in Exhibit 3, page 18. For FY 2013, based on the district's budget and PEER's calculations, all member counties should have been paying the statutorily capped amount (i. e., a .20 millage rate for Jackson County and an .875 or .88 millage rate for the other member counties). As the exhibit shows, three counties (Clarke, Greene, and Lauderdale) are currently levying a millage rate below that amount. Because the district did not inform the counties of their pro rata shares, these counties might not have known for sure if they should be levying the full 7/8 mill. PEER also notes that according to Exhibit 3, Jasper County levied more than 7/8 mill (i. e., .91 millage rate), which would exceed the statutory cap imposed by MISS. CODE ANN. Section 51-15-129 (1972).

Exhibit 3: Millage Rates Currently Levied by Member Counties for Support of the Pat Harrison Waterway District

County	Millage Rate
Clarke	.55
Covington	.88
Forrest	.875
George	.875
Greene	.74
Jackson	.20
Jasper	.91
Jones	.875
Lamar	Withdrawn from district
Lauderdale	.74
Newton	.875
Perry	.88
Smith	.88
Stone	.875
Wayne	.88

SOURCE: PEER telephone survey of PHWD member counties, August 2013.

Statutory Requirement for Annually Disseminating the District's Five-Year Projects Plan to Member Counties

Because PHWD does not prepare a five-year plan of projects as required by state law, the district cannot accurately prepare its annual operating budget and member counties are not informed of projects that the district plans to undertake.

State law—i. e., MISS. CODE ANN. Section 51-15-119 (h) and Section 51-15-123 (1972)—provides PHWD with authority to construct and operate facilities, specifically parks and recreation facilities, within the district. As illustrated on page 42, PHWD has a significant infrastructure investment in its nine parks in the form of cabins, waterslides, lodges, and campsites. The district also has constructed and maintains nine lakes, with another lake in the planning phase. All of these infrastructure projects have required a commitment of the district's financial resources.

With regard to the expenditure of district funds on projects, MISS. CODE ANN. Section 51-15-119 (2) (1972) states the following:

> *The board of directors shall annually prepare a five-year plan containing a* ***prioritized list detailing the purposes, goals and projected costs of projects which it intends to implement or is in the process of implementing*** *and shall file such plans with the clerk of the board of supervisors of each member county on or before July 15 of each year.* [PEER emphasis in bold type]

According to PHWD's Director of Accounting and Finance, the district does not prepare the five-year plan of projects required by CODE Section 51-15-119 (2). PHWD staff believe that the district's five-year strategic plan, required by MISS. CODE ANN. Section 27-103-129 (1972) as part of the state's appropriation budget request process, satisfies the five-year plan of projects required by Section 51-15-119 (2.) Member counties acknowledged to PEER that they routinely receive copies of the district's five-year strategic plan.

PEER contends that the district's five-year strategic plan prepared as part of its budget request process does not satisfy the five-year plan of projects required by CODE Section 51-15-119 (2). The Legislative Budget Office's appropriations budget request instructions require that agencies' five-year strategic plans address the following areas:

- comprehensive mission statement for the agency;
- overview of the strategic plan;
- performance effectiveness objectives for each program of the agency;
- significant external factors that may affect the projected levels of performance; and,
- internal management system utilized to evaluate performance achievements in relationship to target performance levels.

As required by the budget request instructions, the district describes in its strategic plan actions or activities that it proposes to "maintain," "continue," or "perform" in each of the program areas over the five-year period. However, because the district's strategic plan does not enumerate and describe specific projects, such as maintenance or capital improvement projects, in priority order and does not include projected costs for each project, the district's strategic plan cannot be considered to be the plan required by CODE Section 51-15-119 (2).

The district's lack of compliance with CODE Section 51-15-119 (2) has two primary effects on the district's operations. First, the district's member counties, which provide a major portion of the district's operating revenues, are not being informed of projects that the district will undertake each fiscal year and their locations within the member counties. Also, the district's staff cannot accurately prepare the expenditure portion of the district's annual operating budget if the board of directors and/or staff have not identified and estimated costs for maintenance or capital improvement projects that the district will undertake during a fiscal year (see following subsection).

Budgeting for the District's Maintenance Needs

The district's annual operating budget does not incorporate some of the costs associated with the district's maintenance needs because it does not include costs of maintenance projects identified either through the district's current Parks Review Committee or through a more formal preventative maintenance plan.

Any entity, public or private, that has a significant investment in infrastructure typically adheres to a preventative maintenance plan in order to extend the useful life of its assets. Such a plan may be defined as maintaining equipment and facilities in satisfactory operating condition through the systematic inspection, detection, and correction of failures either before they occur or before they develop into major defects.

According to PHWD staff, the district has not developed and does not adhere to a formal preventative maintenance plan, but instead addresses maintenance issues on an "as needed" basis. The district utilizes a Parks Review Committee, composed of members of the board of directors appointed by the board president, to identify maintenance issues. Each year the committee's chair consults with the district's parks director and develops a schedule for conducting annual physical inspections of the facilities of each park (e. g., lakes, grounds, buildings, shops, offices, restrooms, cabins, mobile unit sites, and equipment). During the inspections, committee members rely on their individual expertise, rather than on specified criteria, to judge the condition of the parks while making observations of each park's maintenance needs.

At the conclusion of the inspections, committee members' personal observations are consolidated into a report that is presented to the entire board of directors. Subsequent to the board receiving the committee's report, the district's executive director, parks director, and maintenance supervisor discuss the report and establish a priority list of maintenance issues to be addressed by district staff throughout the following year. Each month, the parks director reports to the board of directors regarding maintenance issues that are being addressed from the Parks Review Committee's previous annual report.

PEER reviewed the Parks Review Committee's 2011 and 2012 annual reports and determined that the issues identified involved true infrastructure maintenance needs—e. g., resurfacing of roads, painting—as well as minor housekeeping activities—e. g., flowerbed mulching, fire ant eradication. However, these observations were not based on objective criteria for a facility's condition (e. g., the age of a cabin's roof in comparison to its life expectancy) or a routine plan for maintaining a park's grounds (e. g., how often the grounds should be treated for fire ants). A formal preventative maintenance plan would allow the district to utilize its resources to target maintenance needs of highest priority, would encourage frequent inspection of facilities and grounds based on objective criteria and routine scheduled maintenance, and would still allow the district's staff to address day-to-day upkeep issues.

Also, the Parks Review Committee's reports do not include estimates of costs to accomplish the maintenance projects identified and, according to the district's Director of Accounting and Finance, have no bearing on the district's budgeting process. Even though the committee's annual maintenance reviews are not a formal preventative maintenance plan with cost estimates, the maintenance projects identified by the committee have cost implications that should be addressed in the district's annual operating budget. For example, road overlay and painting projects involve commodity expenditures in the form of asphalt, slag, paint, thinner, brushes, and other materials. Some maintenance projects may also involve contractual services expenditures to procure services of contractors who are not district employees.

District staff cannot produce an accurate annual operating budget for the district without taking into account costs of maintenance projects identified either through the district's current Parks Review Committee or a more formal preventative maintenance plan.

Budgeting for Statutorily Required Project Expenditures

Because the district does not validate counties' ad valorem contributions, it cannot develop an accurate budget or ensure that it spends the statutorily required amounts on projects within each member county.

Because the district does not validate the ad valorem tax contributions from member counties (see page 10), PHWD is also not able to develop an accurate budget or ensure the district's compliance with statutory requirements regarding project expenditures. As noted on page 5, MISS. CODE ANN. § 51-15-129 (1972) requires that the district spend a specified portion of the funds contributed by its member counties on flood control, water management, and other projects as requested by the counties in the amounts of one-eighth mill per member county or one-tenth mill per member county with a port authority.

PHWD staff notes that while this minimum required project spending amount is not validated annually, the district does expend funds annually for works projects grants in an effort to comply with this statute.

How did the district expend its funds from FY 2011 through FY 2013?

The Pat Harrison Waterway District expended the majority of its funds in the budget categories of Salaries, Wages, and Fringe Benefits and Contractual Services during fiscal years 2011 through 2013. PEER notes that because of the PHWD Board of Directors' monthly meeting schedule, each month the district pays each attending member per diem for two days and reimburses mileage for two round trips to Hattiesburg at the state rate, with expenditures of $143,678 for board meetings during the three-year period of review.

As shown in Exhibit 4, page 23, the Pat Harrison Waterway District expended approximately $5.8 million in FY 2011, $5.6 million in FY 2012, and $5.5 million in FY 2013. Based on the overall expenditures for these three fiscal years, there has been a gradual decrease in the district's total spending. In each fiscal year, the majority of agency funds were expended in the major object categories of Salaries, Wages, and Fringe Benefits and Contractual Services. The following subsections summarize the major trends in each of these two categories.

Exhibit 4: Pat Harrison Waterway District Expenditures, FY 2011 through FY 2013

Expenditure Category	FY 2011	FY 2012	FY 2013
Salaries, Wages, and Fringe Benefits	$2,784,962	$2,695,957	$2,572,106
Travel	27,599	25,514	33,179
Contractual Services	1,797,887	1,438,871	1,666,207
Commodities	495,620	503,058	455,783
Capital Outlay			
Other than Equipment	44,427	1,784	-
Equipment	14,948	35,661	27,067
Vehicles	39,863	51,240	-
Wireless Communication Devices	188	-	-
Subsidies, Loans, and Grants	693,062	851,027	706,514
Total Expenditures	**$5,898,556**	**$5,603,112**	**$5,460,856**

SOURCE: 2011-2013 Pat Harrison Waterway District legislative budget requests and Pat Harrison Waterway District's Accounting Division.

Salaries, Wages, and Fringe Benefits

While the percentage of expenditures for Salaries, Wages, and Fringe Benefits compared to total district expenditures was consistent over the three-year review period, the overall trend was a gradual decrease in the amount of agency funds expended for this category.

As shown in Exhibit 4 on page 23, in FY 2011 through FY 2013, the Salaries, Wages, and Fringe Benefits category accounted for approximately 47.2 percent, 48.1 percent, and 47.1 percent of total agency expenditures for fiscal years 2011, 2012, and 2013, respectively. While the percentages of this category in comparison to total agency expenditures were consistent over the three-year review period, the overall trend was a gradual decrease in the amount of agency funds expended for Salaries, Wages, and Fringe Benefits.

The district's staff noted that the method for determining how salaries are funded is based on the percentage of a person's work contribution that can be attributed to a particular program. Because the majority of agency funds comes from counties' contributions and recreational facility fees, as noted on pages 10-11, according to the PHWD Human Resources Director, the district tries to allocate staff salary funding based on the appropriate revenue source and agency program. For the purposes of this method, the district takes into account the position title, the average number of hours worked per week, and the average percentage of time worked in the program areas of Recreation, Flood Control, Water Management, and Infrastructure (i. e., maintenance-related work duties).

PHWD staff also noted that this method for allocating staff salaries was last used in 2006 in calculating salaries because the majority of the district's positions and their respective duties have not changed much in relation to the agency's programs.

Contractual Services

After removing the outliers, the majority of the district's Contractual Services expenditures for the three-year review period may be attributed to utility-related spending, contract workers, and Tort Claims contributions.

As shown in Exhibit 3 on page 18, Contractual Services was the category with the second highest total of expenditures. This category accounted for approximately 30.5 percent, 25.7 percent, and 30.5 percent of total agency expenditures for fiscal years 2011, 2012, and 2013, respectively.

In comparison to the total amount of agency expenditures, there was variance in the amount expended on Contractual Services. These variances can be attributed to large expenditure outliers seen in fiscal years 2011 and 2013. In FY 2011, there was above-average spending in the minor object codes of Grounds, Walks, Fences, and Lots and for multiple minor object codes related to equipment repair. In FY 2013 there was a large expenditure associated with legal fees, which may be attributed to litigation regarding the withdrawal of Lamar County from the district, noted on page 3.

After removing the outliers, the majority of Contractual Services expenditures may be attributed to utility-related spending, contract workers, and Tort Claims contributions. The funds expended on utility-related expenses totaled approximately 37.9 percent of the Contractual Services category for the three fiscal years. These utility-related expenses include the minor object categories of Electrical, Water and Sewer, and Garbage Collection. Contract worker expenses totaled approximately 18.9 percent of the Contractual Services category for the three fiscal years. Tort Claims contributions totaled approximately six percent of the Contractual Services category for the three fiscal years.

Expenditures for Board Meetings

Because of the PHWD Board of Directors' monthly meeting schedule, each month the district pays each attending member per diem for two days and reimburses mileage for two round trips to Hattiesburg at the state rate. The district also provides meals for board members at the meetings and during the three fiscal years reviewed by PEER spent $143,678 on its district board meetings.

As stated on page 5 and illustrated in Appendix A, page 41, the Pat Harrison Waterway District is governed by an eighteen-member board of directors. MISS. CODE ANN. Section 51-15-119 (1972) provides the board with authority to set policy for the district and take action to accomplish the district's statutory mission.

Procedurally, the president of the board appoints the directors to committees to accomplish the work of the board. The primary standing committees of the board include: an executive committee (consisting of the board's officers); a finance committee; a policy committee; and a Works Projects committee. The president also appoints special purpose committees, such as: nominating, audit, parks review, timber management, market, equipment, George County lake (to oversee design an planning), and Lamar County (to deal with developments regarding the lawsuit filed by the district).

The board meets on a monthly basis, typically on the fourth Thursday of each month, with variances from that date occurring due to conflicts with state holidays and other reasons. While the full board meets on a Thursday, typically at 4 p. m., the standing committees meet on a Monday prior to the board's Thursday meeting. The majority of the board's monthly agenda consists of reports from the standing committees based on their Monday discussions.

MISS. CODE ANN. Section 51-15-105 (3) states that each PHWD director may receive a per diem as set by law, presently $40 per day, for "attending each day's meeting of the board and for each day spent in attending to the necessary business of the district." The section also provides for each director to be reimbursed for actual and necessary expenses, which results in each director being paid $.565 per mile, the current state mileage rate, for travel to meetings. The district does not reimburse directors for meals because the district provides meals to the directors and staff for committee and board meetings (see discussion below). Therefore, each month up to eighteen PHWD board members each receive from the district $80 in per diem ($40 each for two days), reimbursement for mileage at the state rate for two round trips from the member's residence to the district office in Hattiesburg, and reimbursement for any other expenses incident to such travel, excluding meals. These expenditures are divided among three major object codes: per diem is reported in Salaries, Wages and Fringes; mileage reimbursement and other expenses incident to travel are reported in Travel; and food for these meetings is reported in Commodities.

During FY 2013-FY 2013, the district expended the following amounts in per diem and mileage payments to members of the board of directors:

- FY 2011: $37,847
- FY 2012: $31,818
- FY 2013: $34,091

In addition to per diem, mileage reimbursement, and reimbursement for other expenses incident to travel to the board meetings, the district provides meals at the board of directors' meetings. For FY 2011 through FY 2013, the district incurred "food for persons" costs, primarily for board meetings, in the following amounts from the commodities budget category:

- FY 2011: $12,848
- FY 2012: $13,799
- FY 2013: $13,275

Based on this information, for the three fiscal years reviewed by PEER, the district incurred expenses of $143,678 from board meetings. While such expenses are permissible by state law, PEER questions the need for Monday and Thursday meetings of the board, which results in costs for both meeting days. This practice should be questioned, especially given the board's current concerns relative to the district's financial condition (see page 27).

Do the district's expenditure patterns result in a significant cash balance?

As of June 30 2013, the district had a cash balance of approximately $6.8 million. Of this amount, the district was obligated to pay approximately $1.2 million to counties upon the completion of approved county works projects. Although the district's staff considers the remaining balance of approximately $5.6 million to be "restricted," PEER found no legal or accounting basis for restricting such cash.

PEER notes that PHWD has a history of carrying significant year-end cash balances. In its 2002 report *A Review of the Pat Harrison Waterway District's Management of Archusa Creek Water Park*, PEER found that the district's year-end cash balance grew from $570,000 in FY 1997 to approximately $2.3 million in FY 2001.

According to PHWD financial records, as of June 30, 2013, the district had a cash balance of $6,768,086 in the following funds:

- Recreation Fund: $2,501,852

- County Fund: $3,935,655
- Timber Fund: $250,022
- Debt Service Fund: $80,557

Of the June 30 balance, the district had approximately $1.2 million restricted for reimbursement of county works projects formally approved by the board of directors in prior years. Although the district considers the remaining balance of approximately $5.7 million to be restricted for specified district purposes, PEER knows of no legal or accounting reasons for restricting the balance.

Several factors could possibly contribute to the current PHWD cash balance amount. First, due to the timing of how the district receives ad valorem contributions from member counties and recreation facility fees, district staff rely on available cash to fund the district's operations throughout the fiscal year. In addition, because the district does not impose completion deadlines on counties that have approved Works Projects Grants, the district has to restrict sufficient cash to reimburse counties when they submit documentation supporting the completion of their particular projects. (According to the board's minutes, during the board's December 20, 2012 meeting, a director noted that the district's Project Summary Report contained old projects that needed to be cleared or deleted. One unfinished project on the report dated back to 2001.) According to district accounting staff, the district also "reserves" $750,000 in cash for the upcoming fiscal year's Works Projects program. For FY 2013, this amount exceeds grants that were formally approved by the board—i. e., the board approved grants totaling approximately $669,000, approximately $81,000 less than the amount "reserved" for such grants. (According to its minutes, during its September 27, 2012, meeting, the board reduced the annual budget for the Works Projects grants to $600,000.) Finally, PHWD staff believe that they are required to have a $750,000 maintenance reserve fund to make repairs on twenty-five cabins that were constructed in 2000 with general obligation bond funds, although the district could not provide PEER with any statutory or financial documentation to support this belief.[2]

Despite the significant amount of cash that the district has on hand and available for district operations, members of the board of directors, according to the minutes, during their January 24, 2013 meeting, expressed concern that the district would be in "grave financial trouble" if the

[2]Previously, MISS. CODE ANN. Section 51-15-123 (1972) precluded the district from using county ad valorem contributions for recreation facility expenses after July 1, 1999. The district created the maintenance reserve, consisting of a portion of the revenues from recreation fees, to have funds available to make recreation facility repairs after 1999. During its 2010 Regular Session, the Legislature removed the restrictive language from state law, but the district has continued to reserve recreation funds for repairs.

district did not stabilize its financial situation after the withdrawal of Lamar County from the district (see page 3). During the January meeting one director presented a list of options that the members could consider to reduce district expenditures and increase revenues. The board responded to the members' concerns about the district's financial condition by taking formal action to reduce the amount of funds budgeted for the district's Works Projects program.

During its February 28, 2013, meeting, the board of directors approved a PHWD staff recommendation to reduce the district's salary expense by $154,104 as a result of terminating four district employees, reassigning five employees to other duties and reducing operations at Little Black Creek Park in Lamar County. The chairman of the board's finance committee reported that the committee would be meeting on a monthly basis to monitor the district's financial condition.

While the board is acting proactively to address the district's financial condition, none of the discussions seem to involve an analysis of the district's cash on hand situation. As with any ongoing concern, PHWD can reserve or place constraints on available resources. Typically, such constraints range from reserving funds because they are legally or contractually required to be maintained intact to reserving funds for specific purposes in accordance with formal action of the board of directors. The reserving of financial resources should not be done in an arbitrary manner but should be done after due deliberation and on some rational basis. The district's board of directors has responsibility for determining the appropriate amount of unrestricted cash necessary to maintain adequate cash flow, safeguard against unanticipated expenses, and provide for district operations.

Status of Specific Complaints Regarding the District's Expenditures

As noted on page 1, when conducting this review, PEER addressed the following questions related to specific complaints:

- Has the Pat Harrison Waterway District complied with applicable policies and procedures governing the use of agency procurement cards?
- Has the Pat Harrison Waterway District complied with applicable policies and procedures governing the use of agency credit cards?
- Does the district have an annual Christmas party for its staff and local officials?

Has the Pat Harrison Waterway District complied with applicable policies and procedures governing the use of agency procurement cards?

The Department of Finance and Administration has authorized an agency procurement card program whereby a state agency may make certain small purchases without a purchase order. PEER reviewed a sample of PHWD's procurement card expenditures for FY 2011 through FY 2013 and, based on the level of detail provided, determined that the expenditures complied with state procurement card regulations as well as with the district's purchase approval process.

State Purchasing Requirements Regarding Procurement Cards

The Department of Finance and Administration has authorized an agency procurement card program whereby a state agency may make certain small purchases without a purchase order.

MISS. CODE ANN. Section 7-7-23 (1972) provides the State Fiscal Officer with authority to establish rules for state agencies' use of purchase orders. DFA's Office of Purchasing, Travel, and Fleet Management administers the state's small purchase procurement card program, whereby agencies may make certain small purchases without a purchase order.

A procurement card is designed to provide a convenient and efficient method of purchasing commodities and/or services when the cost is no more than $5,000. Program guidelines state that the use of the state's procurement card program should directly benefit any agency by reducing the amount of paperwork required to make purchases and to expedite delivery of goods and services by allowing the cardholder to deal directly with a vendor.

DFA has entered into a contract with a commercial credit card company to make procurement cards available to state agency employees. Cardholder agreements are with individual employees who bear the responsibility of complying with both state and agency policies. DFA requires any state agency participating in the procurement card program to:

- have operating procedures and designated personnel to manage the program;
- comply with state purchasing requirements; and,
- adopt its own expenditure limits and purchase restrictions.

PHWD's Use of Procurement Cards

PEER reviewed a sample of PHWD's procurement card expenditures for FY 2011 through FY 2013 and, based on the level of detail provided, determined that the expenditures complied with state procurement card regulations as well as with the district's purchase approval process.

The Pat Harrison Waterway District participates in the state's procurement card program and assigns procurement cards to nineteen employees, primarily park employees. Seventeen of the cards have an expenditure limit of $1,000, while two cards, assigned to central office employees, have an expenditure limit of $2,000. According to the district's Procurement Card Coordinator, the cards are to be used for emergency purchases, for after-hours purchases when there is no time to submit a purchase requisition, and for making purchases from vendors who do not accept purchase orders.

Because procurement cards are issued by the state's procurement card company in the name of designated employees, each employee assigned a card receives a monthly statement, similar to an individual who has a personal credit card. Also, the district's Procurement Card Coordinator receives a control account statement from the company itemizing purchases for all procurement cards used by district employees.

Employees who are assigned a procurement card must follow the steps listed below in order to make a purchase with the card. (In cases considered to be an emergency, the employee submits the required documentation after the purchase is made.)

- The employee submits a requisition to the Procurement Card Coordinator requesting permission to make a purchase.

- After the coordinator approves the purchase requisition, the employee makes the purchase, attaches the purchase receipt to the requisition, and holds the documentation until the employee receives his/her monthly card statement.

- After receiving the monthly statement, the employee examines the statement to ensure that all purchases are correct, then submits the statement and supporting documentation to the district's accounting office.

- Accounting office staff reconcile each employee's monthly statement and documentation with the district's control account statement and submit the control account statement to the Procurement Card Coordinator to process for payment.

For the period FY 2011 through FY 2013, district employees expended $79,446 through procurement cards--i. e., FY 2011, $24,020; FY 2012, $27,208; and, FY 2013, $28,218. This total represents 5% of the district's commodity expenditures for the three-year period.

PEER reviewed a sample of the district's procurement card expenditures for FY 2011 through FY 2013 and, based on the level of detail provided, determined that the expenditures complied with state procurement card regulations as well as with the district's purchase approval process. Purchases reviewed by PEER were made primarily from vendors who do not accept purchase orders and were for items such as linens for cabins, postage stamps, and refreshments for district board meetings.

PEER notes that the Committee's review focused on the PHWD staff's adherence to district policies regarding approval of purchases for procurement cards and did not include tracking individual items to their ultimate use by the district. Appropriate oversight by district officials and adherence to internal controls by district personnel are vital to ensuring that commodities are appropriately used to fulfill the district's needs.

Has the Pat Harrison Waterway District complied with applicable policies and procedures governing the use of agency credit cards?

PHWD's Executive Director has not limited the use of his American Express corporate card to reimbursable expenses incurred on official state business-related travel, as DFA regulations require.

State Purchasing Requirements Regarding Corporate Credit Cards for Business-Related Travel

The Department of Finance and Administration has contracted with American Express to issue corporate credit cards to employees of state agencies solely for business-related travel.

MISS. CODE ANN. Section 25-3-41 (1972) establishes guidelines for travel reimbursement of officers and employees of the State of Mississippi. The section also provides authority to the Department of Finance and Administration (DFA) to promulgate rules and regulations to effectuate economies for travel-related expenses. One such economy is DFA's contracting with a credit card company, presently American Express, to issue corporate credit cards to employees for business-related travel.

DFA regulations state that American Express corporate credit cards are issued to designated employees with the employee, not the employee's agency, being solely responsible for payment of charges to the card. In addition, DFA's contract with American Express stipulates that the use of the corporate card must be limited to reimbursable expenses incurred on official state business travel. DFA regulations list the following as appropriate expenses for which the American Express corporate card may be used by an employee during business-related travel:

- food and lodging expenses;
- rental vehicles and fuel;
- airport shuttle, minibus, or taxicab fares;
- airline tickets;
- travel agency services; and,
- other miscellaneous travel expenses.

PHWD's Use of the Corporate American Express Credit Card

PEER reviewed the PHWD Executive Director's American Express corporate credit card records for FY 2011 through FY 2013 and found several instances of noncompliance with the Department of Finance and Administration's regulations regarding the use of a corporate credit card. PEER found instances during the review period in which the Executive Director used the card for expenses other than business-related travel and for the travel expenses of persons other than himself. Also, the district routinely paid the Executive Director's American Express bill rather than requiring him to pay the bill himself and request reimbursement from the district, as DFA regulations require.

The Executive Director is the only district employee who has requested and received an American Express corporate card through the state's contract with the credit card company. For the period FY 2011 through FY 2013, the Executive Director expended $14,745 using his American Express card—i. e., FY 2011, $2,783; FY 2012, $3,790; and, FY 2013, $8,172. District staff state that the district allows the Executive Director to use his American Express card primarily to cover meals during meetings with board members and other stakeholders of the district.

PEER reviewed the Executive Director's American Express credit card records for FY 2011 through FY 2013 and determined the following instances of non-compliance with DFA's regulations regarding use of a corporate American Express card issued to an employee of a state agency:

- *Use of the card for expenses other than business-related travel*--Some of the Executive Director's charges on the corporate American Express card were for non-travel-related expenditures. For example, during the three-year period of review, the Executive Director charged a total of $2,734, or 19% of the total charges on the card, for meals he and others consumed at restaurants in Hattiesburg, which were not travel-related expenses. He also purchased commodity items—e. g., electronics and office supplies—with the card.
- *Use of the card for travel expenses of persons other than the employee to whom the card was issued*--The Executive Director used his corporate American Express card on two occasions to charge airfare and lodging for two members of the district's board of directors who accompanied him on a trip to Washington, DC. The total of the charges for these two occasions was $3,236. As noted previously, DFA regulations limit use of the corporate American Express card to business-related travel of the individual named on the card (i. e., the district's Executive Director).

- *Improper method of paying for charges to the card*—During the period of review, the PHWD accounting staff routinely paid the Executive Director's corporate American Express credit card bill as part of the district's monthly accounts payable routine. DFA regulations clearly state that the employee named on the card is responsible for paying the monthly American Express bill personally and then must request reimbursement from the agency.

Regardless of whether the PHWD Board of Directors has determined that the Executive Director may use district funds for the types of expenditures noted above, he should use the American Express corporate card only in the manner prescribed by DFA regulations (see page 32). When questioned by PEER, the PHWD Executive Director and his staff explained that they were not aware of the regulations limiting the use of the American Express corporate card to business-related travel.

Does the district have an annual Christmas party for its staff and local officials?

The PHWD Board of Directors held its monthly meetings for December 2010 and December 2011 at a local restaurant and invited members of the boards of supervisors of the counties within the district, area legislators, and their guests. The district expended $5,507 for meals for both December meetings combined. Individual members of the board of directors personally paid $2,190.90 for meals of spouses or guests for both December meetings combined. The district did not hold a similar meeting in December 2012.

Typically, the Pat Harrison Waterway District Board of Directors holds its monthly meetings in the district's office in Hattiesburg. However, for its December meetings in 2010 and 2011, the board met at Mack's on the River, a restaurant approximately eight miles north of the district's office. (The district held no similar meeting in December 2012 because it had held a Fiftieth Anniversary Celebration in October 2012.)

According to PHWD staff, the board's December meetings typically are a Christmas event to which the board invites members of the boards of supervisors of the counties within the district, area legislators, and their guests to attend. The district provides a meal to those attending this meeting, with the district expending $3,015 for the December 2010 meal and $2,492 for the December 2011 meal.

Regarding whether providing meals at meetings of the board of directors was a permissible expense for the district, in January 2010 the district contacted the State Auditor's Office and requested an opinion. Specifically, the district asked whether it was permissible:

- to furnish the district's board a light meal at business meetings;
- for the board's President and the district's Executive Director to meet with the boards of supervisors and at these meetings provide them a meal; and,
- to meet with the boards of supervisors twice a year to provide technical information and include a meal at those meetings.

The State Auditor's Office responded that it believed, based on two related previous opinions of the Attorney General,[3] that such meals may be furnished by the district, provided that the PHWD Board of Directors determined that meals are "reasonably related and incident to the goal or function which has been imposed. . .by legislative enactment."

Regarding how the district should determine the appropriateness of providing a meal, the State Auditor's Office directed the district to guidelines of the Department of Finance and Administration in effect at the time, which stated:

1. The meeting must be for business and be necessary.
2. The meeting must encompass a normal mealtime hour and it must be determined that it is more efficient to provide the food on site rather than leave the premises.
3. The meeting must last a reasonable time before and after a meal to be served as part of the meeting.
4. No one can be reimbursed on a travel voucher for a meal that has been provided as part of a meeting.
5. No expenditure for alcoholic beverages will be reimbursed.

During its October 28, 2010, meeting, the board held a discussion regarding the legality of paying for spouses' meals at the upcoming December meeting. The board's vice-president advised the members that the State Auditor's Office had earlier informed district staff that it was legal to provide meals to board members, district staff, members of the boards of supervisors, and legislators if the meals were provided in association with a called meeting. The vice-president also stated that no public funds could be used to provide meals to spouses (or guests) of those individuals. Following the vice-president's advice, the board voted to require each member of the board of directors to pay for their spouses (or guests) and spouses (or guests) of their respective county supervisors, chancery clerks, and legislators. The board had a similar discussion during its June 23, 2011, meeting and adopted

[3] *Opinion to Ray Mabus*, March 4, 1985, and *Opinion to Phil Bryant*, July 30, 1999.

a similar motion requiring board members to pay for spouses' meals at the December 2011 meeting.

PEER notes that the December 2010 and December 2011 board meetings lasted twenty-five minutes and thirty minutes, respectively, with the board's executive committee meeting lasting for twenty-five minutes prior to the full December board meetings in each of those years. PEER also notes that the individual members of the board of directors paid $1,166.30 and $1,024.60, respectively, for the meals consumed by spouses or guests during the December 2010 and December 2011 meetings.

While the PHWD board and staff believe that they have complied with the restrictions placed by the state on meals provided as part of a meeting, PEER makes the following observations:

- DFA guidelines state that meals are allowable "if it is more efficient to provide the food on site rather than leave the premises." As stated previously, the board of directors typically meets at the district's central office in Hattiesburg with the regular board meetings beginning at 4 p.m., during which they are usually provided a meal on site, presumably because the district determined this to be more efficient than leaving the premises for a meal. The board held both of the December meetings in question "off site" at a local restaurant, with the meeting times being an hour later than usual. Therefore, PEER questions why holding the two December meetings off site and providing meals at a restaurant would not contradict the district's reasoning regarding its other monthly meetings.
- DFA guidelines also state that the meeting "must last a reasonable time before and after a meal to be served as part of the meeting." Typically, the board of directors meets for approximately two to three hours each month. As stated previously, the board conducted business for thirty minutes or less during the two December meetings in question. The minutes do not reflect that the board reconvened its meeting following the meal. Thus the two December meetings appear not to conform with this DFA guideline.

Recommendations

1. In order to provide the Legislature and the board of directors with a more realistic presentation of the district's budgetary needs, PHWD staff should base the district's annual operating budget on the prior year's actual expenditures rather than estimated expenditures or the district's legislatively approved spending authority. Should the district determine that it has a need beyond its typical spending pattern, the district should include a justification in its budget request for consideration by the Legislature during the appropriation process.

2. In June of each year, following the PHWD board's adoption of the upcoming fiscal year's budget, PHWD staff should comply with MISS. CODE ANN. Section 51-15-129 (1972) by utilizing the most recent assessed valuation of each member county to determine each county's pro rata share of the district's annual operating budget. The PHWD Board of Directors should notify each member county's board of supervisors of the amount of that county's share of the district's budget, requesting that each board of supervisors assess ad valorem millage not to exceed the cap set by law to generate funds for that county's share.

   Considering the process and timing provided in law for counties' appraisal of property, appeals of such appraisals, and approval of ad valorem tax rolls by the Department of Revenue, the Legislature should amend MISS. CODE ANN. Section 51-15-129 (1972) to require that PHWD use the state-approved assessed valuations as of November 1 of each year to confirm the accuracy of the amount of each county's pro rata share. The section should require member counties to remit their pro rata shares in the form of ad valorem contributions no later than March 1 of the following year.

3. Rather than providing member counties with copies of the district's five-year strategic plan that is an addendum to its budget request to the Legislature, the district should annually compile a five-year plan containing the purposes, goals, and projected costs of projects it intends to implement or is in the process of implementing, as required by MISS. CODE ANN. Section 51-15-119 (2). The district should utilize the five-year plan to help develop its annual operating budget.

4. To aid it in developing its five-year project plan (see previous recommendation), the district should develop a formal preventative maintenance plan. Such a plan would allow district staff to:
    a. collect information necessary to identify maintenance needs, plan maintenance projects, set project priorities to target resources toward highest needs, and estimate costs;
    b. schedule a timeline for projects and prepare procedures for managing the projects;
    c. develop a work order system and keep systematic maintenance records;
    d. ensure that maintenance employees have appropriate training to complete the tasks expected of them in a competent and safe manner; and,
    e. include appropriate maintenance employees in decisions on facility matters.
5. In light of MISS. CODE ANN. Section 51-15-129 (1972), the district should independently validate the ad valorem contributions to be received annually from each member county by multiplying each county's millage rate dedicated to the district by each county's assessed valuation. Should a county's ad valorem contribution differ from the amount calculated by the district, PHWD staff should confer with county officials to resolve the discrepancy. In addition, the district should formally track payments made to counties through its Works Projects program to ensure that the district annually provides back to each county payments amounting to the statutorily required amount (currently 1/8 mill of the county's 7/8 mill levy and 1/10 mill of Jackson County's 2/10 mill levy.)
6. The PHWD Board of Directors should evaluate the district's practices regarding the restricting of cash on hand without specific legal or programmatic requirement to do so. In addition, the board should consult with its contract CPA firm regarding the development of a cash management strategy for the district to ensure available cash for operating needs as well as future obligations and unforeseen expenses.
7. The PHWD Board of Directors should re-evaluate policies associated with its Works Projects program and impose a deadline by which member counties must complete approved projects and request reimbursement from the district.
8. As part of its cash management analysis (see Recommendation 7), the PHWD Board of Directors should re-evaluate its monthly practice of having

committee meetings on a Monday and a full board meeting on a Thursday. The board should attempt to limit its meetings to one day per month in order to reduce the financial burden on the district.

9. The PHWD Board of Directors should require its Executive Director to comply fully with Department of Finance and Administration (DFA) regulations regarding his American Express corporate card. Specifically, the Executive Director should limit use of the card to business-related travel and request reimbursement from the district for such expenses so that he can pay his American Express monthly charges personally.

   Should the board determine that it is necessary for the Executive Director to meet with various government officials regarding the affairs of the district and cover meal costs for such officials, the board should take formal action to authorize such and grant permission for the Executive Director to be provided with a state procurement card. DFA regulations allow food charges on a procurement card as long as the purchase of food has a legitimate business purpose and more than one person is present in the business meeting.

10. The PHWD Board of Directors should re-evaluate its practice of having a December board meeting off-site and providing a Christmas-themed meal for directors, PHWD staff, boards of supervisors, legislators and their guests. MISS. CODE ANN. Section 51-15-105 (5) (1972) already requires each director to meet with the board of supervisors of the county from which the director is appointed twice a year. Because state law provides a means of district officials communicating with county officials, an annual group meeting is not necessary and the district should avoid expenses associated with such a meeting.

Appendix A: Pat Harrison Waterway District Board of Directors, as of 8/21/2013

Director	County Represented
Aubert Pitts	George
Ben Johnson	Greene
Bill Pennington	Lauderdale
Don Pittman	Smith
Gene Pickering	Jones
Geoffrey Clark	Wayne
George Heard	Newton
Henry Leonard	Covington
James B. Huff**, #	District At-Large
James Buchanan	Clarke
James Hutto	Forrest
John Keenan	Jasper
Ken Papania	Jackson
Larry Wilson	Perry
R. Gerald Moore*	District At-Large
Rex Hiatt**	District At-Large
Ron Purvis	Stone

*Appointed by former Governor Haley Barbour.
**Appointed by Governor Phil Bryant.
Mr. James B. Huff died on May 13, 2013. As of September 3, 2013, Governor Bryant had not appointed a replacement for him.

SOURCE: Secretary of State's Office.

Appendix B: Pat Harrison Waterway District's Recreational Facilities, as of August 2013

The following table provides an overview of the recreational facilities operated by the Pat Harrison Waterway District by county as of August 2013. It should be noted that the PHWD staff did not have a breakout of primitive campsites (ground locations without amenities designed for tent camping) by facility readily available. PHWD only keeps a facility count of campsites with amenities (water and electrical hookups).

Facility	County	Structures
Archusa Park	Clarke	4 Cabins 1 Enclosed Pavilion 3 Open-Air Shelters 2 Boat Ramps 69 Campsites
Big Creek	Jones	4 Cabins 1 Enclosed Pavilion 1 Boat Ramp 49 Campsites
Dry Creek	Covington	1 Open-Air Shelter 28 Campsites
Dunns Falls	Lauderdale	1 Cabin 1 Old Mill (Historic Site)
Flint Creek	Stone	46 Cabins 1 Lakeview Lodge 2 Open-Air Pavilions Kiddie and Adult Waterslides 156 Campsites
Little Black Creek	Lamar	20 Cabins 1 Enclosed Pavilion 1 Open-Air Shelter 106 Campsites
Maynor Creek	Wayne	9 Cabins 3 Open-Air Pavilions 2 Lodge Halls 69 Campsites
Okatibbee Creek	Lauderdale	25-room Motel 4 Cabins Kiddie and Adult Waterslides 105 Campsites
Turkey Creek	Newton	3 Cabins 1 Enclosed Pavilion 1 Open-Air Shelter 22 Campsites

SOURCE: Pat Harrison Waterway District staff and Pat Harrison Waterway District website.

Appendix C: Pat Harrison Waterway District Revenues, by Source, FY 2011 through FY 2013 (as of June 30, 2013)

Revenues Collected from PHWD's Member Counties, FY 2011-FY 2013 (as of June 30, 2013)

County	FY 2011	FY 2012	FY 2013
Clarke	$ 83,228	$ 85,652	$ 82,187
Covington	168,210	151,222	114,812
Forrest	482,694	460,061	467,893
George	108,718	108,786	106,784
Greene	12,057	100,756	58,969
Jackson	286,224	298,526	297,802
Jasper	134,369	139,351	152,362
Jones	377,587	396,272	392,057
Lamar*	380,406	50,149	223
Lauderdale	390,441	403,534	393,202
Newton	73,682	75,121	67,613
Perry	78,213	77,867	73,777
Smith	97,220	101,537	98,746
Stone	85,281	87,002	87,295
Wayne	107,144	112,458	109,806
Total Revenues	**$2,865,474**	**$2,648,294**	**$2,503,528**

* As noted on page 3, Lamar County withdrew from the district on September 6, 2011. While PEER was conducting fieldwork for this report, Lamar County and the PHWD were in litigation to determine the amount the county is to pay to satisfy the district's financial obligation. A judgment was rendered on August 29, 2013, but is being appealed by the district. The PEER Committee takes no position in this report on the merits of any argument raised by Lamar County or the Pat Harrison Waterway District respecting the financial obligations of Lamar County to the district or the financial impact of Lamar County's withdrawal from the district.

Revenues from Fees Generated at PHWD's Recreational Facilities, FY 2011-2013 (as of June 30, 2013)

Recreational Facility	County	FY 2011	FY 2012	FY 2013
Archusa	Clarke	$ 203,975	$ 203,677	$ 203,682
Big Creek	Jones	199,007	174,387	175,347
Dry Creek	Covington	55,337	51,986	12,663
Dunns Falls	Lauderdale	18,862	19,221	17,452
Flint Creek	Stone	1,378,298	1,305,605	1,272,820
Little Black	Lamar	542,203	434,581	18,324
Maynor Creek	Wayne	280,690	275,672	280,720
Okatibbee Creek	Lauderdale	369,893	476,231	488,507
Turkey Creek	Newton	106,502	91,777	99,411
	Total Revenues	**$3,154,767**	**$3,033,137**	**$2,568,926**

PHWD Interest Income, FY 2011 through FY 2013

FY 2011	FY 2012	FY 2013
$66,066	**$31,139**	**$18,719**

Recap of Total District Revenues, FY 2011 through FY 2013

Revenue Source	FY 2011	FY 2012	FY 2013
Counties' ad valorem contributions	$2,865,474	$2,648,294	$2,503,528
Fees from recreational facilities	3,154,767	3,033,137	2,568,926
Investment income	66,066	31,139	18,719
Total	**$6,086,307**	**$5,712,570**	**$5,091,173**

SOURCE: Pat Harrison Waterway District Accounting Division.

Appendix D: The Legislative Budget Office's MBR-1 Form

BUDGET REQUEST FOR FISCAL YEAR ENDING JUNE 30, 2015

State of Mississippi
Form MBR-1 (2009)

AGENCY | ADDRESS | CHIEF EXECUTIVE OFFICER

	(1) Actual Expenses FY Ending June 30, 2013	(2) Estimated Expenses FY Ending June 30, 2014	(3) Requested For FY Ending June 30, 2015	(4) Requested Increase (+) or Decrease (-) FY 2015 vs. FY 2014 (COL. 3 vs. COL. 2)	
I. A. PERSONAL SERVICES:				AMOUNT	PERCENT
1. Salaries, Wages & Fringe Benefits (Base)					
a. Additional Compensation					
b. Proposed Vacancy Rate (Dollar Amount)			( )		
c. Per Diem				$0	0.0%
Total Salaries, Wages & Fringe Benefits	0	0	0	0	0.0%
2. Travel					
a. Travel & Subsistence (In-State)				0	0.0%
b. Travel & Subsistence (Out-of-State)				0	0.0%
c. Travel & Subsistence (Out-of-Country)				0	
Total Travel	0	0	0	0	0.0%
B. CONTRACTUAL SERVICES (Schedule B):					
a. Tuition, Rewards & Awards				0	0.0%
b. Communications, Transportation & Utilities				0	0.0%
c. Public Information				0	0.0%
d. Rents				0	0.0%
e. Repairs & Service				0	0.0%
f. Fees, Professional & Other Services				0	0.0%
g. Other Contractual Services				0	0.0%
h. Data Processing				0	0.0%
i. Other				0	0.0%
Total Contractual Services	0	0	0	0	0.0%
C. COMMODITIES (Schedule C):					
a. Maintenance & Construction Materials & Supplies				0	0.0%
b. Printing & Office Supplies & Materials				0	0.0%
c. Equipment Repair Parts, Supplies & Accessories				0	0.0%
d. Professional & Scientific Supplies & Materials				0	0.0%
e. Other Supplies & Materials				0	0.0%
Total Commodities	0	0	0	0	0.0%
D. CAPITAL OUTLAY:					
1. Total Other Than Equipment (Schedule D-1)				0	0.0%
2. Equipment (Schedule D-2)					
b. Road Machinery, Farm & Other Working Equipment				0	0.0%
c. Office Machines, Furniture, Fixtures & Equipment				0	0.0%
d. IS Equipment (Data Processing & Telecommunications)				0	0.0%
e. Equipment - Lease Purchase				0	0.0%
f. Other Equipment				0	0.0%
Total Equipment (Schedule D-2)	0	0	0	0	0.0%
3. Vehicles (Schedule D-3)	0	0	0	0	0.0%
4. Wireless Comm. Devices (Schedule D-4)	0	0	0	0	0.0%
E. SUBSIDIES, LOANS & GRANTS: (Schedule E)					
1. Total Subsidies, Loans & Grants				0	0.0%
TOTAL EXPENDITURES	$0	$0	$0	$0	0.0%
II. BUDGET TO BE FUNDED AS FOLLOWS:					
Cash Balance-Unencumbered				$0	0.0%
General Fund Appropriation (Enter General Fund Lapse Below)				0	0.0%
State Support Special Funds				0	0.0%
Federal Funds				0	0.0%
Other Special Funds (Specify):				0	0.0%
				0	0.0%
				0	0.0%
				0	0.0%
Less: Estimated Cash Available Next Fiscal Period				0	0.0%
TOTAL (same as total of A through E above)	$0	$0	$0	$0	0.0%
GENERAL FUND LAPSE					
III. PERSONNEL DATA					
Number Positions Authorized in Appropriation Bill a.) Full Perm.				0	0.0%
b.) Full T-L				0	0.0%
c.) Part Perm.				0	0.0%
d.) Part T-L				0	0.0%
Average Annual Vacancy Rate (Percentage) a.) Full Perm.					
b.) Full T-L					
c.) Part Perm.					
d.) Part T-L					

Approved by: ______________________
Official of Board or Commission

Budget Officer/E-mail: ______________________

Phone Number: ______________________

Submitted by: ______________________
Name

Title: ______________________

Date: ______________________

Agency Response

6081 US Highway 49
Hattiesburg, MS 39401

Telephone
(601) 264-5951

Pat Harrison Waterway District

RECEIVED
PEER COMMITTEE

Board of Directors

James Buchanan
Clarke County

Henry Leonard
Covington County

Dr. James Hutto
Forrest County

Aubert Pitts
George County

Ben Johnson
Greene County

Col. Ken Papania
Jackson County

John Keenan
Jasper County

Gene Pickering
Jones County

Bill Pennington
Lauderdale County

George Heard
Newton County

Larry Wilson
Perry County

Don Pittman
Smith County

Ron Purvis
Stone County

Geoffrey Clark
Wayne County

Rex Hiatt
District-at-Large

Gerald Moore
District-at-Large

September 30, 2013

Mr. Kevin C. Mayes
Evaluator
Mississippi Joint Legislative PEER Committee
P. O. Box 1204
Jackson, MS 39215-1204

Dear Mr. Mayes:

The Pat Harrison Waterway District has no objections or comments concerning the recent PEER Committee report.

Sincerely,

Hiram Boone

Hiram Boone
Executive Director

HB:am

cc: George DeCoux, Comptroller

PEER Committee Staff

Max Arinder, Executive Director
James Barber, Deputy Director
Ted Booth, General Counsel

Administration
Tracy Bobo
Larry Landrum
Rosana Slawson
Gale Taylor

Corrections Audit
Lou Davis

Reapportionment
Ben Collins

Evaluation
Kim Cummins
Matthew Dry
Lonnie Edgar
Barbara Hamilton
Matthew Holmes
Kevin Mayes
Angela Norwood
Jennifer Sebren
Jenell Ward
Ava Welborn
Sarah Williamson
Julie Winkeljohn
Ray Wright

Performance Budgeting
Brian Dickerson
David Pray
Linda Triplett