

SIMPSON COUNTY, MISSISSIPPI

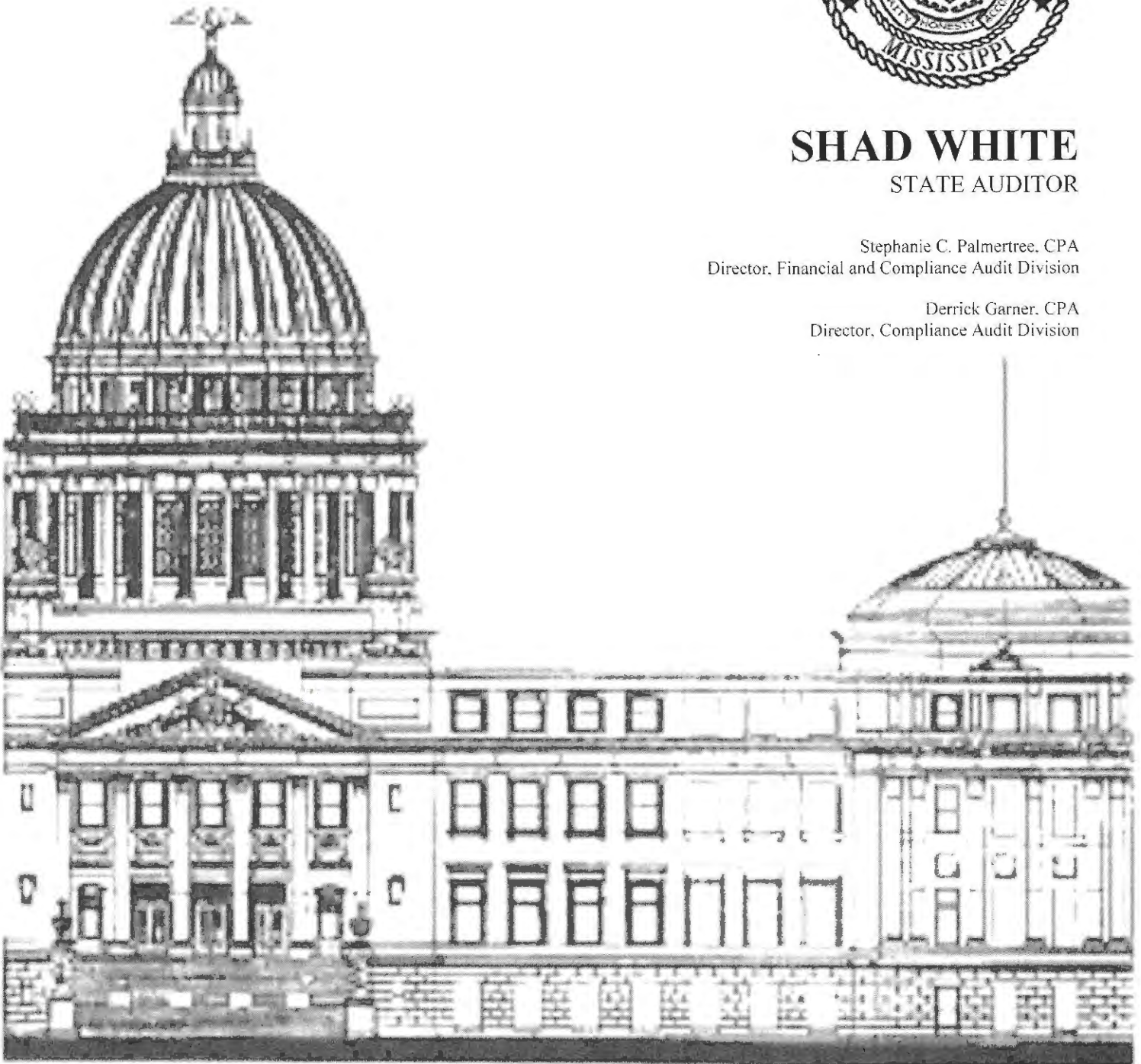
Special Compliance Reports
For the Year Ended September 30, 2018



SHAD WHITE
STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial and Compliance Audit Division

Derrick Garner, CPA
Director, Compliance Audit Division



A Report from the Compliance Audit Section

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SIMPSON COUNTY

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SIMPSON COUNTY

SPECIAL REPORTS



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISSISSIPPI CODE ANNOTATED (1972))

Members of the Board of Supervisors
Simpson County, Mississippi

We have examined Simpson County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with *Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972)* and compliance with the purchasing requirements in accordance with bid requirements of *Section 31-7-13, Miss. Code Ann. (1972)* during the year ended September 30, 2018. The Board of Supervisors of Simpson County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

We believe our examination provides a reasonable basis for our findings. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Simpson County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our procedures disclosed certain instances of noncompliance with the aforementioned code sections. Our findings and recommendations and your responses are disclosed below.

Purchase Clerk.

2018-001. The County should follow state statute and the Board of Supervisors' policy for its credit card use.

Repeat Finding No

Criteria *Section 19-3-68, Miss. Code Ann. (1972)*, states there should be a complete record of all receipts and documentation pertaining to the use of the credit card and that the Board should be given an itemized list of all expenditures each month to be included in the claims docket. Furthermore, the County Board of Supervisors' policy states, all other purchases must be approved by the County Administrator or Board of Supervisors, and any incidental personal expenses shall be reimbursed by the user before the bill is due to be paid.

Condition During the testing of credit card purchases, we noted the following instances:

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- There were seven (7) incidental personal expenses that were not reimbursed to the General Depository before the credit card bill was paid.
- There was no itemized report of credit card expenditures submitted to the Board to be paid each month.

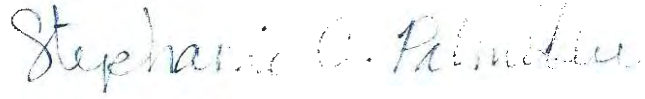
Cause	The County did not comply with its own Board policy and <i>Section 19-3-68</i> .
Effect	Failure to enforce these requirements could result in the misuse of the County’s credit card for unauthorized and unallowable expenditures.
Recommendation	We recommend the Board of Supervisors or County Administrator ensure all reimbursements for incidental personal expenses are reimbursed before the bill is paid, an itemized list of expenses is submitted to the Board monthly, and other purchases are approved by the County Administrator or Board of Supervisors as required in the County’s Board policy and <i>Section 19-3-68</i> .
Official Response	<p>All credit card expenditures paid by Simpson County after reimbursement of incidental personal expenses were legal expenditures paid in accordance with Simpson County Credit Card Policy which allows credit card usage for “hotel reservations, conference registrations, authorized travel expenses, purchases and other items approved by the County Administrator or Board of Supervisors.” There were no “other items” requiring such approval. The items questioned herein were legal purchases authorized by purchase orders issued by the County Purchase Clerk for control purposes that are clearly authorized by the policy. The County Administrator discussed and authorized all of these charges verbally. In the futures, a written authorization will be recorded on the appropriate purchasing documentation to provide adequate proof of authorization.</p> <p>The Board of Supervisors has approved payment of the credit card bill by total amount in the board minutes each month. However, these expenditures were recorded by journal entry as part of making the credit card payment electronically to avoid late fees and interest charges due to the difference between the county and credit payment cycles. We will also begin to record these in the claims docket as required. We will comply.</p> <p>All reimbursements for incidental personal charges were paid to the County, but some were made later than required by the policy. Reimbursement of incidental personal expenses will be made in a timely manner as required by the County credit card policy. An itemized report will be submitted monthly and recorded in the Board of Supervisors minutes. This report was omitted by mistake by the County Administrator when we changed from writing a paper check to electronic payment to avoid interest and late fee charges. We will comply.</p>

Auditor’s Note: The incidental personal expenses noted above were not allowable under County Board policy, DFA State Travel Policy: Rule 125, or Attorney General’s Opinion 2015-00208. Additionally, these incidental personal expenses should be reimbursed to the General Depository before the bill is paid with taxpayer funds. Although the credit card payments are made electronically, there should be an itemized report submitted to the Board of Supervisors at the next Board meeting.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with *Section 31-7-115, Miss. Code Ann. (1972)*. The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and is fairly presented when considered in relation to that examination.

Simpson County’s responses to the findings included in this report were not audited, and accordingly, we express no opinion on them

This report is intended for use in evaluating Simpson County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Stephanie C. Palmertree". The ink is dark and the signature is written in a fluid, connected style.

STEPHANIE C. PALMERTREE, CPA, CGMA
Director, Financial and Compliance Audit
Office of the State Auditor

SIMPSON COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
 For the Year Ended September 30, 2018

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
7/19/2018	New Chassis	\$ 7,000	Holmac	\$ 6,955	Repairs are lower and company is the original manufacturer.

SIMPSON COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2018

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/2/2017	Seven Piling Repair Pilings &	\$ 17,500.00	Grant Blakeney	Bridge Inspection Closure
10/2/2017	Replace Headwall	60,500	Grant Blakeney	Bridge Inspection Closure
10/6/2017	Culverts	20,879	Dial Supply	Bridge Inspection Closure
10/26/2017	Tankcar Culverts	21,825	The Railroad Yard	Bridge Inspection Closure
11/6/2017	Repair Bridge	48,592	Oddie Smith	Bridge Inspection Closure
10/31/2017	Pilings	2,500	Grant Blakeney	Bridge Inspection Closure

SIMPSON COUNTY
Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2018

Schedule 3

Our tests did not identify any purchases made noncompetively from a sole source.



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

In accordance with *Section 7-7-211, Mississippi Code Annotated (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions to ensure compliance with legal requirements. The scope of our review covered the 2018 fiscal year.

We have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

2018-001. Actual expenditures should not exceed budget expenditures for all funds.

Repeat Finding No.

Criteria *Section 19-11-17, Miss. Code Ann. (1972)*, prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors.

Section 19-11-11(1), Miss. Code Ann. (1972), states, "The budget as finally determined...shall set out the total amount to be expended from each fund, the anticipated working cash balance in the fund at the close of the present fiscal year, the estimated amount, if any, which shall accrue to the fund from sources other than taxation for the new fiscal year, and the amount necessary to be raised for each fund by tax levy during such fiscal year, and the working cash balance which the board determines necessary for the next fiscal year. The board of supervisors, not later than September 15th, shall then, by resolution, approve and adopt the budget as finally determined, and enter the same at length and in detail in its official minutes..."

Condition The final amended budget for fiscal year 2018 was not approved and documented in the Board minutes. Actual expenditures exceeded budgeted amounts in some of the funds.

Cause The County did not comply with the state statute listed above.

Effect	Failure to approve the amended budget causes noncompliance with state law and could lead to misappropriation of public funds.
Recommendation	The Board of Supervisors should approve and spread the final amended budget on the minutes each year. The Board of Supervisors should not make expenditures in excess of the final budgeted amount.
Official's Response	The Board of Supervisors approved amending the fiscal year 2018 budget. Budgets to equal actual revenues and expenses incurred on their minutes on September 28, 2018. However, the fiscal year closing adjustments and budget amendments were not entered in the accounting system and spread on the minutes of the board in a timely manner. This is being corrected and will be a priority in the future.

2018-002. The County did not prepare an amended budget of revenues, expenses, and a working cash balance of all funds.

Repeat Finding	No.
Criteria	<i>Section 19-11-19(1), Miss. Code Ann. (1972)</i> , requires that any revisions to the budget be made during the fiscal year that is affected.
Condition	As of February 4, 2019, Simpson County Board of Supervisors had not approved the amended budget at the close of the fiscal year 2018.
Cause	Due to failure to amend the budget before the close of the fiscal year 2018, the County exceeded budgeted estimates in all funds.
Effect	The failure to prepare and submit each year an amended budget of revenues, expenses, and a working cash balance for all funds could result in the misappropriation of public funds.
Recommendation	The Board of Supervisors should prepare and submit each year a complete budget of revenues, expenses, and a working cash balance for all funds, as required by law.
Official's Response	We will comply.

Board of Supervisors, Chancery Clerk, and Sheriff.

2018-003.	<u>Bonds should not be "Continuation Certificates."</u>
Repeat Finding	No.
Criteria	<i>Section 25-1-15, Miss. Code Ann. (1972)</i> , states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor."
Condition	During the testing of surety bonds, we noted employees' surety bonds were listed as "Continuation Certificates" for four (4) Deputy Chancery Clerks and sixteen (16) Deputy Sheriffs. There was also one (1) reserve bond for part-time employees listed as a "Continuation Certificate."
Canse	Employees' bonds were not secured for the current year.
Effect	Failure to properly secure and recertify surety bonds every four years could limit the amount available for recovery should public funds be lost, stolen or embezzled.
Recommendation	All bonds should be secured every four (4) years concurrent with the election cycle of the Governor.

Official's Response We will comply.

Chancery Clerk.

2018-004. Internal controls over deposits and safekeeping of monies should be strengthened.

Repeat Finding No.

Criteria An effective system of internal controls for collecting, recording, and disbursing cash should include appropriate separation of duties.

Condition As a result of procedures performed, we determined that the same personnel were allowed to prepare and make deposits for the same account.

Cause Inadequate internal controls due to no separation of duties surrounding cash collections.

Effect Failure to have strong internal controls of cash collections could result in loss, theft, or misappropriation of public funds.

Recommendation The Chancery Clerk should implement effective internal control policies to ensure there are proper separation of duties surrounding monies collected and deposited.

Official's Response All Deputy Clerks and I, the Chancery Clerk, take the deposits to the bank.

2018-005. Controls over accounting for the Chancery Clerk's fee journal should be strengthened.

Repeat Finding No.

Criteria An effective system of internal controls over Chancery Clerk fees should include the reconciliation of the cash balance in the Chancery Clerk's fee journal to the bank balances.

Condition As a result of procedures performed, we noted that the Chancery Clerk's fee journal did not agree with the reconciled bank balance.

Cause Due to inadequate controls during the reconciliation process, the Chancery Clerk's bank statements did not reconcile to the fee journal.

Effect The failure to reconcile the Chancery Clerk's cash balance to the bank balance could result in the loss or misappropriation of public funds.

Recommendation The Chancery Clerk should ensure that the reconciled bank balance agrees with the cash balance of the fee journal.

Official's Response Deposits on December 28, 2018 were not posted until January 2, 2019.

Circuit Clerk.

2018-006. The Circuit Clerk should only claim expenditures that are valid Internal Revenue Schedule C Expenses.

Repeat Finding No.

Criteria *Section 9-1-43, Miss. Code Ann. (1972)*, limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deduction by Schedule C of the Internal Revenue Code. A business expense must be both ordinary

and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year. The Circuit Clerk is allowed expense deductions on the fee journal and annual report, if they are valid on the IRS Schedule C expenses. The Circuit Clerk is also responsible for ensuring that all expenditures allowed under the IRS Schedule C expenses are documented and properly supported.

Condition	As a result of procedures performed, we noted eight (8) instances of no documentation of a sign-in sheet of attendees for meals, as well as one (1) instance of no receipt attached as documentation for a meal.
Cause	Circuit Clerk did not implement adequate internal controls by failing to deduct valid Schedule C expenses.
Effect	Failure of proper documentation causes noncompliance with state law and could result in the loss or misappropriation of public funds.
Recommendation	The Circuit Clerk should ensure all expenses are allowable and properly documented.
Official's Response	Court staff meals are each court term with the judge and staff. I have the names of each individual who was in attendance at each meal. These items were explained by the auditors and we will comply with any recommendations.

Sheriff.

2018-007. The Sheriff's Office should maintain proper documentation for transactions in the purchase of information and evidence.

Repeat Finding No.

Criteria *Section 99-27-37, Miss. Code Ann (1972), states that the Board of Supervisors of any County in the State of Mississippi may appropriate sums of money, not exceeding one-third (1/3) of the fines which have been collected by them respectively, from the unlawful sale or possession of intoxicating liquors and/or narcotics and/or other illegal drugs, for the purpose of defraying expenses incurred by law enforcement agencies in the procuring of evidence of violations of statutes or ordinances, as the case may be, against the unlawful sale or keeping of intoxicating liquors and/or narcotics and/or other illegal drugs.*

An effective system of internal controls over purchase of information and evidence funds should include procedures to properly account funds being distributed.

Condition During procedures performed, we noted documentation for transactions were missing, and five out of eleven receipts were missing signatures of witnesses, bona fide case numbers, and the evidence collected.

Cause The Sheriff's Office did not properly maintain documentation for purchase of information and evidence (PIPE) funds.

Effect Lack of internal controls of PIPE funds could lead to unaccounted for funds.

Recommendation We recommend the Sheriff's Office implement procedures to properly document the use of PIPE funds.

Official's Response This administration no longer has PIPE funds.

2018-008. Public funds should be deposited in no more than one (1) business day after receipt.

Repeat Finding No.

Criteria	<i>Section 25-1-72, Miss. Code Ann. (1972)</i> , requires all county officers who receive funds payable into the county treasury to deposit such funds into the county depository on the day they are collected or on the next business day thereafter.
Condition	The Sheriff's Office failed to make daily bank deposits in a timely manner throughout the fiscal year.
Cause	There were ineffective internal controls surrounding cash which led to deposits not being made in a timely manner.
Effect	Failure to deposit funds within one (1) business day of receipt could lead to loss, misappropriation, fraud, waste, or abuse of public funds.
Recommendation	The Sheriff's Office should implement internal controls to ensure that daily deposits are made per <i>Section 25-1-72</i> .
Official's Response	This administration will make daily deposits except on holidays and weekends.

Sheriff and Board of Supervisors.

2018-009.	<u>Meal logs and affidavits not presented to the Board of Supervisors monthly.</u>
Repeat Finding	No.
Criteria	<i>Section 19-25-74, Miss. Code Ann. (1972)</i> , states "...in respect to the feeding of prisoners..., the Sheriff shall maintain a log, showing the name of each prisoner, the date and time of incarceration and release, to be posted daily, which shall record the number of meals served to prisoners at each mealtime, and the hours of the days served, and shall make affidavit to correctness thereof and file the same monthly with the Board of Supervisors." In addition, the Board is not allowed to pay claims for food expenses if this report has not been filed.
Condition	During our testwork, we noted that both the inmate meal logs and an affidavit were not being filed monthly with the Board of Supervisors; however, the claims for the food expenses were being approved.
Cause	The Sheriff and Board of Supervisors did not comply with the state statute listed above.
Effect	Failure to submit meal logs to the Board of Supervisors for approval and an affidavit to the correctness thereof could result in a loss or misappropriation of public funds by paying for an incorrect number of meals.
Recommendation	The Sheriff should ensure the meal log is maintained and presented to the Board of Supervisors before meal expenses are approved through the claims docket.
Official's Response	This administration is currently working with Omnigo to being in compliance with this meal report.
Auditor's Note:	Omnigo is a record management and public safety software system for law enforcement agencies. Simpson County's Sheriff Office uses this software and intends to request an application that allows the recording of meals for prisoners housed at Simpson County's facilities.

2018-010.	<u>Internal controls over deposits and safekeeping of monies should be strengthened.</u>
Repeat Finding	No.
Criteria	An effective system of internal controls for collecting, recording, and disbursing cash in the Sheriff's office should include appropriate separation of duties.

Condition	As a result of procedures performed, we noted that all personnel are allowed to prepare and make deposits. Also, all personnel use the same cash drawer for funds received.
Cause	Inadequate internal controls due to lack of segregation of duties.
Effect	Failure to have strong internal controls of cash collections can possibly result in loss, theft, or misappropriation of public funds.
Recommendation	The Sheriff should implement effective internal control policies to ensure there are proper separation of duties surrounding monies collected and deposited within the Sheriff's office.
Official's Response	This administration has divided duties handling currency, writing, and signing checks.

Payroll Clerk.

2018-011.	<u>4B forms for employing retired service employees should be properly completed and filed within five (5) days.</u>
Repeat Finding	No.
Criteria	<i>Section 25-11-127, Mississippi Code Ann. (1972), requires counties who hire service retirees to notify PERS in writing by completing Form 4B "Certification/Acknowledgement of Recmployment of Retiree" with PERS' office within five (5) days of rehire and at the beginning of the new year.</i>
Condition	During the testing of retired and rehired service employees, we noted seven (7) Form 4Bs were not filed within five (5) days of rehiring an employee. There were ten (10) Form 4Bs that were not filed within five (5) days at the beginning of the year.
Cause	The County is not in compliance with state law because Form 4Bs are not completed as required by <i>Section 25-11-127</i> .
Effect	Failure to file Form 4Bs as required by state law could result in overpayment of a retiree. The County could also be assessed penalties by PERS.
Recommendation	The Payroll Clerk should ensure proper completion of Form 4Bs and file them timely as required by PERS.
Official's Response	We will comply.

Simpson County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



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