



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

April 2, 2007

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Oktibbeha County, Mississippi

In planning and performing our audit of the financial statements of Oktibbeha County, Mississippi for the year ended September 30, 2005, we considered Oktibbeha County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control. Our opinions on the financial statements have been previously submitted to you in a separately issued document dated September 15, 2006.

In addition, for areas not considered material to Oktibbeha County, Mississippi's financial reporting, 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. The fieldwork for these review procedures and tests was completed on September 15, 2006. Our procedures and tests 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. This report does not affect our report dated September 15, 2006, on the financial statements of Oktibbeha County, Mississippi.

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. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors.

1. Finding

Section 65-7-117, Miss. Code Ann. (1972), states each member of the Board of Supervisors shall inspect every road and bridge in the county under the jurisdiction of the county not less than once each fiscal year. Each member shall file with the Clerk of the Board a report, under oath, of the condition of the roads and bridges inspected by him with recommendations by him for a four-year plan for construction and major maintenance of such roads and bridges. Based upon such reports, the Board of Supervisors shall, on or before February 1 of each year, adopt and spread upon its minutes a four-year plan for the construction and maintenance of county roads and bridges. As reported in the prior year's audit report, a four-year road plan was not adopted.

Recommendation

A four-year road plan should be adopted and spread upon the minutes every year.

Board of Supervisors' Response

The four-year road plan is currently being updated and will be filed with the Clerk immediately.

2. Finding

Section 19-3-40(2), Miss. Code Ann. (1972), prohibits the Board of Supervisors from levying taxes other than those authorized by statute. The Board of Supervisors levied a tax for the repayment of two capital improvement loans and a TVA loan for an industry. We know of no authority for the Board of Supervisors to impose a tax levy for the repayment of these loans.

Recommendation

In the future, the Board of Supervisors should only levy taxes that are authorized by statute. Furthermore, the Board of Supervisors should account for those taxes collected under this unauthorized levy as if they were General Fund tax collections for purposes of limitations on tax increases.

Board of Supervisors' Response

Oktibbeha County will comply with recommendation and remove current levy and repay loan from the General Fund.

Chancery Clerk.

3. Finding

Section 27-39-317, Miss. Code Ann. (1972), requires the Board of Supervisors to specify the purpose of each tax levy when approving the tax levy. As reported in the prior two years' audit reports, the tax levy for the audited fiscal year did not include the purpose nor the code section authorizing each separate tax.

Recommendation

The Chancery Clerk, as Clerk of the Board, should properly prepare the annual tax levy in accordance with the aforementioned section.

Chancery Clerk's Response

I will include tax levy description in minutes.

4. Finding

An effective system of internal control over land redemption funds should include the centralization of all land redemption funds in one bank account. Audit procedures revealed that the Chancery Clerk has three land redemption bank accounts. One account has \$332.78 of unsettled monies. The other two bank accounts have numerous outstanding checks over a year old in the total amount of \$4,950. Failure to properly account for all land redemption funds in one bank account could result in the loss of public funds.

Recommendation

The Chancery Clerk should settle the \$332.78 of unsettled monies to the county, as well as the \$4,950 in outstanding checks. A list of these cancelled checks should be placed on the Board of Supervisor minutes. The Chancery Clerk should also close the two bank accounts which are not being used and have no activity. In the future, the Chancery Clerk should ensure that all land redemption funds are accounted for in one bank account.

Chancery Clerk's Response

Accounts will be closed and unsettled funds settled to the county.

5. Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be deposited by the Clerk into the county's General Fund on or before April 15 for the preceding calendar year. The Attorney General's Office has opined that since the fees earned by the Chancery Clerk have the potential of becoming public monies in the event that the amount of fees exceed the cap, if the amount spent for supplies and equipment plus non-exempt fees exceeds the statutory cap, then such supplies and equipment are public property and belong to the county. The Chancery Clerk exceeded the statutory cap of \$90,000 and purchased some equipment. This equipment was not placed on the county's inventory. Failure to include equipment purchased with public funds on the county's inventory could result in the loss or misappropriation of county property.

Recommendation

The Chancery Clerk should ensure that the equipment purchased is placed on the county's inventory and tagged as county property.

Chancery Clerk's Response

Items will be added to the county's inventory.

6. Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. We noted several expenses deducted against income that were either not supported by receipts or could not be construed as ordinary or necessary. The total of these disallowed expenses is \$1,174.01.

Recommendation

The Chancery Clerk should refrain from claiming expenses that are not supported by receipts or that are not ordinary or necessary and should repay the amount of the disallowed expenses to the General Fund of the county. The Chancery Clerk should also file an amended report with the Office of the State Auditor and the Mississippi Public Employees' Retirement System.

Chancery Clerk's Response

I provided receipts accounting for \$979.27 of the above disallowed amount.

Auditor's Note

After giving the Chancery Clerk credit for the 1,577 miles claimed at the various reimbursement rates during the 2005 calendar year for a total of \$583.42 and for other disallowed expenses in which receipts were presented for \$226.27, the Chancery Clerk still owed the General Fund \$364.32. On January 26, 2007, the Chancery Clerk paid \$364.32 to the General Fund as evidenced by receive warrant number 15449.

7. Finding

Section 25-1-19, Miss. Code Ann. (1972), states that all bonds shall be filed and recorded in the office of the Clerk of the Chancery Court of the county. Several bonds were not on file in the bond book in the Chancery Clerk's office.

Recommendation

The Chancery Clerk should ensure that all official bonds are recorded in the official bond book as required.

Chancery Clerk's Response

I will inventory bonds and ensure the filing of bonds.

8. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep and preserve a complete and correct record of all board proceedings. As reported in the prior year's audit report, some documentation was not included in the board minutes. One item not included was the original budget of the county.

Recommendation

The Chancery Clerk should keep a complete and correct record of all board proceedings.

Chancery Clerk's Response

I will keep a complete and correct record of all board proceedings.

Tax Assessor-Collector.

9. Finding

An effective system of internal control over the collection of public utility taxes should include a reconciliation or comparison of assessed valuations per the public utility roll to valuations entered on tax receipts. As reported in the prior year's audit report, controls were inadequate over the computation of public utility taxes. We noted that one public utility was double assessed resulting in a \$12,163 overpayment of taxes during the 2004 fiscal year and a \$3,553 overpayment of taxes in the 2005 fiscal year.

Recommendation

The Tax Assessor-Collector should make sure controls are in place over the computation of public utility taxes to ensure the collection of the proper amount of taxes.

Tax Assessor-Collector's Response

Tax Assessor-Collector chose not to respond.

Auditor's Note

As of March 27, 2007, the Tax Assessor-Collector has refunded these monies to the public utility.

10. Finding

An effective system of internal control over tax collections should include an adequate separation of duties, the maintenance and reconciliation of records documenting daily collections and adequate physical safeguards over cash collections. Controls were inadequate over cash. Cash collection and disbursement functions were not adequately separated for effective internal control. The following deficiencies were noted:

- a. The bookkeeper and assistant bookkeeper collected money as well as performed recording and disbursing functions.
- b. The assistant bookkeeper also added the receipts and made the bank deposit.
- c. Cash and checks were not properly indicated on the combined daily cash sheet as to the form of payment received.
- d. Cash and checks per the deposit slip did not agree with cash and checks received per the combined daily cash sheet.
- e. The amount of petty cash on hand changed from month to month with no explanation and did not agree with the amount recorded in the cash journal.
- f. The safe was left unlocked during the day. Duplicate keys to the cash drawers were not adequately secured.
- g. Cash drawers were counted down beginning at 12 p.m., but the deposit was not carried to the bank until late in the afternoon and the actual deposit was not made until the following morning.
- h. The check-up sheet to verify the daily collection was not completed until after the deposit was made.
- i. Error corrections were made by the bank to the deposit on several occasions.
- j. Mobile home ad valorem taxes were collected in an office located across the hall from the tax office by one individual away from the other clerks without any physical oversight.
- k. Each clerk balanced their own cash drawer without the oversight of another clerk.
- l. Voided receipts were not retained.
- m. No explanations were noted for adjustments to receipts.
- n. The Tax Assessor-Collector was frequently absent from the office making it difficult for the auditors to obtain needed information and reducing oversight of the staff.

Failure to implement adequate controls over the collection, recording and disbursement functions as well as implementing necessary physical safeguards could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should ensure that there is an adequate separation of duties in the collecting, recording and settlement functions. She should also ensure that records documenting daily collections are properly maintained and reconciled to the daily deposits and that controls are in place to properly safeguard cash collections.

Tax Assessor-Collector's Response

- a. They use the extra drawer only when we are very busy and a clerk is out.
- b. Would be the same if only had one bookkeeper.
- c. Are now marking correct - cash or check.
- d. Should match now that clerks are marking correct info.
- e. Will now be sure that doesn't change again. Depositing different.
- f. Keys will be in file cabinet with bookkeeper.
- g. Are now counting down late but deposit will still be made next morning - bank closes at 4:00.
- h. If receipts and money balance - check-up sheet will balance.
- i. We check up twice a day at end of month and tax collecting time, so don't have a lot of cash in drawers. Bank makes it two deposits.
- j. I have no control over this. Supervisors determine where I have office space.
- k. Now check up in front of bookkeepers.
- l. Are now being kept by bookkeeper.
- m. Will now have notations everywhere.
- n. I am totally responsible for office. When I am absent, staff answers to my office managers.

11. Finding

According to Section 14 of Oktibbeha County's ad valorem taxes levy sheet, the Board of Supervisors levied and imposed on each dollar of assessed valuation of taxable property in Oktibbeha County outside of the municipalities of Starkville, Sturgis and Maben, a levy for the construction, maintenance and support of volunteer fire protection departments. The Tax Assessor-Collector collected this levy on property located in the municipalities of Starkville, Sturgis and Maben in error. Failure to collect taxes in accordance with the tax levies approved by the Board of Supervisors could result in an incorrect amount of taxes being collected.

Recommendation

The Tax Assessor-Collector should collect tax levies in accordance with the levies approved by the Board of Supervisors.

Tax Assessor-Collector's Response

I did not receive a copy of the attached paper.

Sheriff.

12. Finding

An effective system of internal control over the inmate commissary account should include signed records documenting items ordered and received by inmates. It should also include records documenting balances in inmate's accounts that are reconciled to the bank statement. As reported in the prior year audit report, the Sheriff's office did not maintain signed records from the inmate commissary account documenting what the inmate ordered. The Sheriff's office only maintained signed records documenting that the inmate did not receive all that was ordered. The Sheriff's office did not print all the necessary reports for the inmate commissary account.

Recommendation

The Sheriff's office should maintain signed records stating what the inmate ordered and receipt of that order. The Sheriff's office should print and maintain the inmate order summary report.

Sheriff's Response

Ok.

Justice Court Clerk.

13. Finding

An effective system of internal control over collections in the Justice Court Clerk's office should include physical oversight of those involved in the collection process. We noted that one of the Deputy Justice Court Clerks, who collects money, has an office located away from the rest of the deputies. No one can observe this deputy without being in the deputy's office. The deputy keeps her cash drawer in her office when not working up front. Failure to maintain physical oversight of individuals involved in the collection process could result in the loss of public funds.

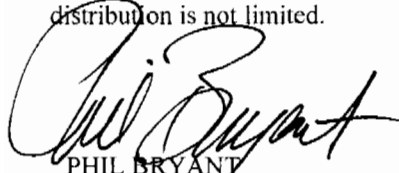
Recommendation

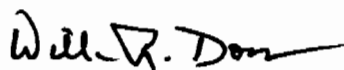
The Justice Court Clerk should implement internal controls to ensure that no cash drawers are removed from the front office.

Justice Court Clerk's Response

I will comply.

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PHIL BRYANT
State Auditor



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