

LINCOLN COUNTY, MISSISSIPPI

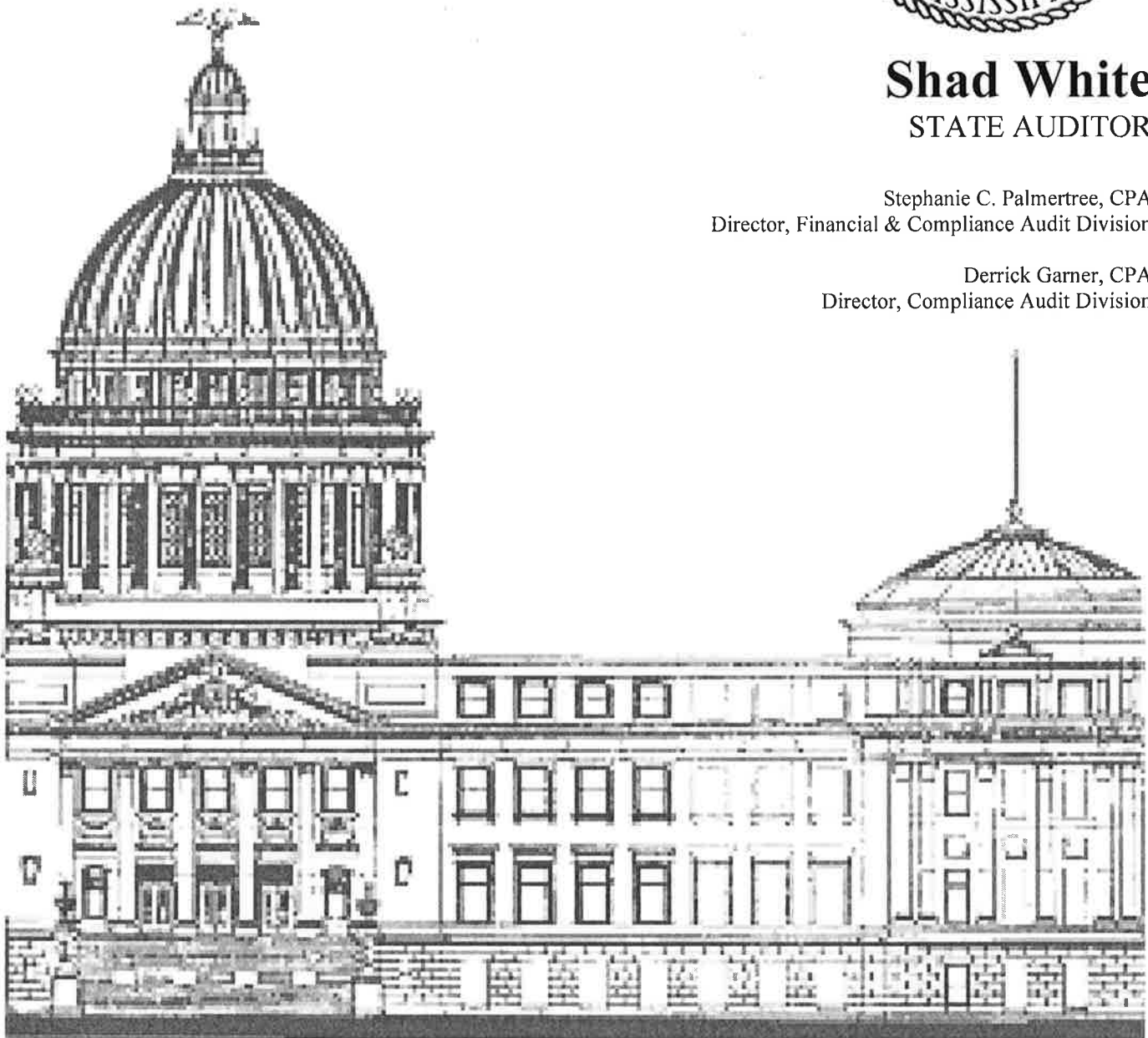
Compliance Special Reports
For the Year Ended September 30, 2017



Shad White
STATE AUDITOR

Stephanie C. Palmertree, CPA
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A Report from the Compliance Division Section
www.osa.state.ms.us

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LINCOLN COUNTY
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LINCOLN 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
(AS REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Lincoln County, Mississippi

We have examined Lincoln 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, Mississippi Code Annotated (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. The Board of Supervisors of Lincoln 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.

Our examination was conducted in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. 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 Lincoln 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 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 audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below.

Board of Supervisors.

1. Invoices for purchases of items costing not more than \$1,500.00 should be signed by the purchaser.

Repeat Finding No.

Criteria For every purchase of any item or services with an acquisition cost of no more than one thousand five hundred dollars (\$ 1,500.00) in the aggregate, Section 31-7-103, Miss. Code Ann. (1972), requires the invoice to be signed by the department head or his or her designee, or a receipt signed by the person making the purchase to be attached to the invoice. No claim based on any such purchase shall be approved except after compliance with the provisions of this section.

Condition	During our testing procedures, we noted numerous purchases of \$1,500.00 or less for which the invoice was not signed nor were receipts attached. These purchases totaled \$70,113.57.
Cause	The Board of Supervisors did not require department heads to sign invoices for purchases of \$1,500.00 or less.
Effect	Payment of invoices without proper documentation could result in the payment of goods or services not received by the County.
Recommendation	The Board of Supervisors should require a signed invoice or receipt for all purchases of \$1,500.00 or less prior to approving the claim for payment.
Views of Responsible Official(s)	Will correct this in the future.

Purchase Clerk.

2. Bids should not be accepted based on terms not included in the specifications.

Repeat Finding	No.
Criteria	Section 31-7-13(d)(i), Miss. Code Ann. (1972), states that no governing authority shall accept a bid based on items not included in the specifications.
Condition	The County received two (2) bids for body cameras for sheriff deputies. The lowest bid received was for body cameras only. The bid accepted included a car camera system which was not included in the specifications.
Cause	The bid was accepted based on the additional cost of body cameras that were not included in the original specifications.
Effect	Acceptance of a bid based on items not included in the specifications (car cameras) is a violation of state law and resulted in the misappropriation of public funds.
Recommendation	The Board of Supervisors should implement procedures to ensure that bids are not accepted based on items not included in the original specifications.
Views of Responsible Official(s)	PO #1700317 dated 11-17-16. Received two (2) quotes. The lowest was for the body cams only. Metrix could supply the body and car cameras for a few hundred dollars more. The Sheriff made the decision to go with Metrix. Metrix charged nothing for freight. The other quote charged for freight.

3. Purchase Clerk schedules should include all items meeting the applicable criteria.

Repeat Finding	No.
Criteria	Section 31-7-115, Miss. Code Ann. (1972), requires the audit report to include, among other things, a schedule of emergency purchases made by the County under the authority of Section 31-7-13(k).
Condition	At their November 7, 2016 meeting, the Board of Supervisors awarded a contract for an emergency bridge repair that was not included in the Schedule of Emergency Purchases prepared by the Purchase Clerk.
Cause	Per the Purchase Clerk he (or she) was not aware of any emergency purchases.

Effect	Failure to maintain accurate purchasing records could result in violation of state purchasing statutes or the misappropriation of public funds.
Recommendation	The Purchase Clerk should ensure all items meeting the applicable criteria are included in the Purchase Schedules.
Views of Responsible Official(s)	I did not list because I was not made aware of any emergency purchases.

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, in our opinion, is fairly presented when considered in relation to that examination.

Lincoln 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 the state legal compliance requirement, central purchasing system, and inventory control system of Lincoln County, Mississippi, 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.

Sincerely,



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

LINCOLN COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2017

<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>
11/17/2016	Body & car cameras \$	18,000	Metrix Solutions LLC \$	14,580	Metrix could provide car cameras in addition to body cameras for a few thousand more dollars.

LINCOLN COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2017

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/27/2016	Road repair	\$ 73,001.00	Dungan Engineering	Prevention of further erosion.

LINCOLN COUNTY

Schedule 3

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2017

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
Lincoln 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 2017 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.

2017-001	<u>County employees should pay the entire cost of health insurance benefits for their dependents.</u>
Repeat Finding	No.
Criteria	Section 25-15-103, Miss. Code Ann. (1972), requires county employees who secure additional health insurance benefits for their dependents with the company providing the county's group coverage to pay the entire cost of such additional coverage.
Condition	In Fiscal Year 2017, seventy-two (72) county employees obtained health insurance coverage for their dependents (spouse and/or children). The total cost of this dependent coverage was \$636,583.44, of which county employees paid \$173,910.60 and the County paid the remaining \$462,672.84 (73%). As a result of this finding, we expanded the scope of our tests to include Fiscal Years 2015, 2016 and 2018 (through June 30, 2018). The additional procedures provided the following data:

	2015	2016	2018*
No. of Employees with Dependent Coverage (DC)	62	68	70
Total Cost of Dependent Coverage	\$ 531,233.27	\$ 582,804.07	\$ 503,624.14
Cost of DC Paid by Employees	\$ 152,146.54	\$ 165,976.61	\$ 132,946.02
Cost of DC Paid by County	\$ 379,086.73	\$ 416,827.46	\$ 370,678.12
Percentage of DC Cost Paid by County	71%	72%	74%
<i>*Amounts through June 30, 2018 – the end of audit fieldwork</i>			

The total paid by the County for dependent/spouse health insurance coverage from October 1, 2014 through June 30, 2018 was **\$1,629,265.15**.

Cause	The members of the Board of Supervisors were not aware this practice was a violation of state law.
Effect	Payment of a portion of the cost of dependent health insurance coverage is an illegal use of public funds.
Recommendation	The Board of Supervisors should reimburse the county the total amount of insurance premiums paid in violation of state law for Fiscal Years 2015 through 2018 (as of June 30, 2018) in the amount of \$1,629,265.15. The Board of Supervisors should also reimburse the county any amounts paid for spouse/dependent health insurance coverage subsequent to June 30, 2018. The Board should also immediately cease payment of any portion of the cost of dependent and/or spouse health insurance coverage.
Views of Responsible Official(s)	None of the individual supervisors have the financial resources to address this finding personally. The only source of funds to address any financial solution will be insurance proceeds. However, the County's insurance carrier has denied the County's request both for coverage and a defense, citing an exclusion in the policy. The County disagrees with and plans to challenge this decision.

2017-002	<u>The County should not issue any warrants without sufficient money in the fund upon which they are drawn; nor should the Board of Supervisors make an interest-free loan to the Chancery Clerk.</u>
Repeat Finding	No.
Criteria	Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing and delivery of warrants by the Chancery Clerk until there is sufficient money in the fund upon which they are drawn. Additionally, the Board of Supervisors has no statutory authority to make an interest-free loan to the Chancery Clerk.
Condition	Warrants for the Chancery Clerk's employees' payroll were repeatedly issued during the year without a sufficient cash balance in the Chancery Clerk Payroll Clearing Fund, which in substance resulted in an interest-free loan from the County to the Chancery Clerk.
Cause	The adequacy of fund balances was not considered when warrants were issued.
Effect	Payment of the Chancery Clerk's payroll without sufficient cash resulted in an illegal diversion of public funds and an unauthorized interest-free loan from the County to the Chancery Clerk.
Recommendation	The Board of Supervisors should implement procedures to ensure sufficient cash is available in the Chancery Clerk's Payroll Clearing Fund prior to issuance of warrants upon the fund.
Views of Responsible Official(s)	
Auditor's Note	<i>This matter was turned over to the Investigations Division of the Auditor's Office for further review.</i>

2017-003	<u>Public funds should be deposited into the county depository no more than one (1) business day after receipt.</u>
Repeat Finding	No.
Criteria	Section 25-1-72, Miss. Code Ann. (1972), 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	It came to our attention during the audit that funds were only deposited to the County depository two (2) times per month for eight (8) months of year. Deposits were made three or four times per month for remaining four (4) months.
Cause	The County Administrator usually only made bank deposits two times per month.
Effect	Failure to make bank deposits on a daily basis could result in the loss or theft of public funds.
Recommendation	The Board of Supervisors should implement procedures to ensure that public funds are deposited in accordance with state law i.e., no more than one (1) business day after receipt.
Views of Responsible Official(s)	Every effort will be made to comply with this finding.

2017-004	<u>The proceeds of ad valorem tax levies should be expended for the purposes for which they were levied.</u>
Repeat Finding	No.
Criteria	The proceeds of the various ad valorem tax levies should be expended only for the purposes specified by the state statute authorizing the levy.
Condition	<p>The following errors were noted where the County did not in the post of ad valorem taxes to correct funds:</p> <ul style="list-style-type: none">a. All taxes levied for general county purposes should be settled to the appropriate General Fund property tax revenue account. However, a total of \$39,187 was erroneously settled as follows: \$15,160 was settled to Penalties and Interest on Delinquent Taxes; \$2,481 was settled to Tax Collector's Commissions and Fees; \$17,937 was settled to Interest Income; and \$3,609 was settled to the Ball Park Complex Bond Fund.b. All taxes levied for support of the County's public library should be settled to the County Library Fund. However, \$2,055 was settled to the General Fund and \$116 was settled to the Ball Park Complex Bond Fund.c. All taxes levied to defray the cost of maintaining and updating appraisals and an ownership mapping system should be settled to the Reappraisal Maintenance Fund. However, \$4,082 was settled to the General Fund and \$238 was settled to the Ball Park Complex Bond Fund.d. All taxes levied for fire protection purposes should be settled to the Volunteer Fire Fund. However, \$1,436 was settled to the General Fund and \$114 was settled to the Ball Park Complex Bond Fund.e. Taxes levied for construction and maintenance of roads and bridges should be settled to the separate road funds. However, \$9,758 was settled to the general fund and \$906 was settled to the Ball Park Complex Bond Fund.f. Taxes levied for constructing and maintaining the County's bridges and culverts should be settled to the separate bridge funds. However, \$17,099 was erroneously settled as follows: \$7,090 was settled to the General Fund, \$393 was settled to the Ball Park Bond Fund, and

\$9,616 was settled to the separate road funds.

- g. Taxes levied to provide for the payment of the principal of and the interest on the County's general obligation bonds should be settled to the applicable debt service fund. However, \$5,996 was settled to the General Fund; and \$121, \$70, and \$75 collected for the Jail Bond Fund, the Industrial Park Bond Fund, and the Industrial Park Bond II Fund, respectively, was settled to the Ball Park Bond Fund.
- h. Taxes levied for the general support and maintenance of Copiah-Lincoln Community College should be settled to the agency funds established for such proceeds. However, \$10,271 was settled to the General Fund and \$582 was settled to the Ball Park Complex Bond Fund.
- i. Taxes levied for support of the Pearl River Basin Development District should be settled to the agency fund established for such taxes. However, \$571 was settled to the General Fund and \$33 was settled to the Ball Park Complex Bond Fund.
- j. Penalties and interest collected on delinquent taxes should be settled to the Penalties and Interest on Delinquent Taxes account. However, a total of \$49,630 was erroneously settled as follows: \$245 was settled to the General Fund account for real and personal property taxes; \$1,764 was settled to the General Fund account for motor vehicle taxes; \$1,752 was settled to the Tax Collector's Commissions and Fees account; \$45,534 was settled to the Interest Income account (which is designated for interest earned on bank deposits, investments, contracts and notes); and \$335 was settled to the Ball Park Complex Bond Fund.
- k. Commissions and other authorized fees earned by the Tax Collector for his services in collecting taxes should be settled to the Tax Collector's Commissions and Fees account. However, a total of \$9,868 was erroneously settled as follows: \$174 was settled to the General Fund account for motor vehicle taxes; \$9,548 was settled to the Penalties and Interest on Delinquent Taxes account; \$97 was settled to the Interest Income; and \$49 was settled to the Ball Park Complex Bond Fund.
- l. Excess bids received on property sold at the tax sale should be settled to the Realty/Personal Property Tax account. However, the excess bids received in the amount of \$72,542 were settled to the Interest Income account.

Cause	Ad valorem taxes were not posted to the various funds in accordance with the Tax Collector's settlement reports by the County.
Effect	Proceeds of the various tax levies were expended for purposes other than those for which the taxes were levied which is an unlawful diversion of public funds.
Recommendation	The Board of Supervisors should order interfund transfers be made immediately to correct the errors listed above. They should also implement procedures to ensure that ad valorem taxes are settled correctly in the future.
Views of Responsible Official(s)	Every effort will be made to correctly record tax levies to the correct funds in the future. The interfund transfers have been made to correct this finding.

2017-005	<u>Credit card travel expenses are to be approved by the Board of Supervisors and all receipts are to be furnished to the Chancery Clerk or Purchase Clerk monthly. Additionally, an itemized report listing all expenditures and credit card usage should be maintained on a monthly basis by the Chancery Clerk and/or Purchase Clerk.</u>
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Repeat Finding	No.
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Criteria	Section 19-3-68, Miss. Code Ann. (1972), states that the supervisors and county employees shall furnish receipts for the use of such credit cards each month to the Chancery Clerk or Purchase Clerk who shall submit a written report monthly to the Board of Supervisors. The report shall include an itemized list of all expenditures and use of the credit cards for the month, and such expenditures may be allowed for payment by the county in the same manner as other items on the claims docket.
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Condition	There was no preparation and submission to the Board of an itemized monthly report. There are eight (8) instances, totaling \$3,985.90, in which the proper receipt(s) were not attached to the statement. No Board approval of the travel was documented for nine of the nineteen credit card transactions tested. The Board not following proper procedures resulted in a total of unapproved expenses of \$5,63920.
Cause	The Board of Supervisors failed to require credit card users to turn in receipts as required. They also failed to require submission of the required monthly report of credit card expenses.
Effect	Failure of credit card users to turn in receipts to Chancery Clerk or Purchase Clerk and the Clerks' failure to submit the required monthly written report could result in the payment of unauthorized expenses.
Recommendation	The Board of Supervisors should implement procedures to ensure that all credit card receipts are furnished to the Chancery Clerk or Purchase Clerk as required. The Board should also ensure the required monthly report of credit card charges is submitted prior to approving payment of the claim.
Views of Responsible Official(s)	Every effort will be made to comply.

2017-006	<u>A public hearing should be held to consider budget and tax levies.</u>
Repeat Finding	No.
Criteria	Section 27-39-203, Miss. Code Ann. (1972), requires the governing body of all taxing entities to hold a public hearing at which time the budget and tax levies for the upcoming fiscal year will be considered.
Condition	No evidence of a public hearing for the consideration of the budget and tax levies for Fiscal year 2017 was recorded in the Board minutes.
Cause	The budget hearing for Fiscal Year 2017 was not recorded in the minutes of the Board of Supervisors.
Effect	The County is in violation of state law.
Recommendation	The County should hold a public hearing each year for consideration of the budget and tax levies.
Views of Responsible Official(s)	The budget hearing was held on September 15, 2016 for the Fiscal Year 2017 budget. The Chancery Clerk will make sure the hearing is documented on the Board minutes in the future.

2017-007	<u>A new blanket surety bond should be secured at the beginning of each new term of office of county elected officials.</u>
Repeat Finding	No.
Criteria	Section 25-1-15(4), Miss. Code Ann. (1972), requires a new blanket bond in an amount no less than that required by law for public employees shall be secured at the beginning of each new term of office of the public or appointed official by whom they are employed, if applicable, or at least every four (4) years concurrent with the normal election cycle of the Governor.
Condition	Ninety-four (94) county employees are covered by a blanket bond that was issued in June 2015. The current term for elected county officials began January 1, 2016.
Cause	The County failed to obtain new blanket bonds at the beginning of the current term of office..

Effect	The failure to obtain a new blanket bond as required by state law could limit the amount available for recovery if public funds were lost or stolen.
Recommendation	The Board of Supervisors should immediately secure a new blanket bond and should implement procedures to ensure a new blanket bond is secured at least every four (4) years.
Views of Responsible Official(s)	This finding will be corrected.

2017-008

All surety bonds should be filed and recorded in accordance with state law.

Repeat Finding	No.
Criteria	Section 25-1-19(1), Miss. Code Ann. (1972), requires the bonds of all county officials and employees to be filed and recorded in the Chancery Clerk's office, except that the original of the Chancery Clerk's bond, after it is recorded, shall be deposited and filed in the office of the Circuit Clerk.
Condition	Neither the blanket bond covering ninety-four (94) county positions nor the continuation certificate for the County Administrator's bond were recorded or filed in the Chancery Clerk's office. Additionally, the original of the Chancery Clerk's bond was not filed in the Circuit Clerk's office.
Cause	The Chancery Clerk failed to record all surety bonds in the bond book.
Effect	Failure to properly record and file surety bonds as required by state law could result in the loss of public funds.
Recommendation	The Board of Supervisors should implement procedures to ensure that all bonds are recorded in the Chancery Clerk's office and subsequently filed in the correct office.
Views of Responsible Official(s)	Every effort will be made to comply with this finding in the future.

2017-009

The County should file its Public Depositors Annual Report within the time frame established by state law.

Repeat Finding	No.
Criteria	Section 27-105-5(6)(b), Miss. Code Ann. (1972), requires the county, not later than thirty (30) days following its fiscal year-end, to provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year-end.
Condition	Documentation obtained from the Mississippi Office of the State Treasurer indicates the County's report was received on November 23, 2018, fifty-four (54) days after the end of Fiscal Year 2017.
Cause	The County failed to file its Public Depositors Annual Report within the prescribed time frame.
Effect	Failure to file the report in a timely manner places the County in violation of state law and delays the reconciliation of any differences between the county's report and reports filed by the County's public depositories.
Recommendation	The Board of Supervisors should implement procedures to ensure the County's Public Depositor Annual Report is filed within thirty (30) days of its fiscal year-end as required by state law.

**Views of Responsible
Official(s)**

Every effort will be made to comply with this finding in the future.

Chancery Clerk.

2017-010

The salaries of all employees of the Chancery Clerk should be paid by the Clerk.

Repeat Finding

No.

Criteria

Section 9-5-133, Miss. Code Ann. (1972), states that the Clerk of the Chancery Court shall have power, with the approbation of the court, or of the judge in vacation, to appoint one (1) or more deputies, who shall take the oath of office, and who thereupon shall have power to do and perform all the acts and duties of which their principal may lawfully do.

Condition

All or part of the salaries of eight (8) Chancery Clerk employees were paid by the County rather than the Clerk. In Fiscal Year 2017, the salaries, payroll taxes and required retirement contributions that should have been paid by the Clerk were paid by the County totaling \$162,821.52.

Cause

The Chancery Clerk failed to reimburse the County for all of the salaries and related expenses of his employees.

Effect

Payment of these salaries and related expenses by the County resulted in an illegal diversion of public funds and an unauthorized interest-free loan from the County to the Chancery Clerk.

Recommendation

The Chancery Clerk should reimburse the County \$162,821.52 for the 2017 salaries and related expenses **plus** all amounts paid by the County for Chancery employees subsequent to September 30, 2017.

**Views of Responsible
Official(s)**

Auditor's Note

This finding was not presented to the Chancery Clerk for a response due to an ongoing investigation by the Investigations Division of the Office of the State Auditor.

2017-011

The Chancery Clerk should claim only documented and allowable expenses on his Annual Financial Report.

Repeat Finding

No.

Criteria

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of Chancery Clerks to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed by Schedule C of the Internal Revenue Code. A business expense must be adequately documented and paid during the calendar year to be deductible for that year.

Condition

No documentation was provided for \$344.67 of expenses claimed as office expenses on the Clerk's Annual Financial Report. Additionally, checks in the amount of \$53,221.18 for payment of employee salaries and related salary expenses did not clear the Clerk's fee account until at least two and one-half months after the date of the check. These payments cannot be construed as having been paid in 2017.

Cause

The Chancery Clerk failed to maintain adequate documentation for office expenses.

Effect

The Clerk claimed a total of \$53,565.85 in unallowable expenses for 2017.

Recommendation

The Clerk should pay \$53,565.85 to the County's General Fund and amend his AFR. He should also implement procedures to ensure that all expenses claimed in the future are adequately

documented and are actually paid in the year for which they are claimed.

**Views of Responsible
Official(s)**

N/A.

Auditor's Note

This finding was not presented to the Chancery Clerk for a response due to an ongoing investigation by the Investigations Division of the Office of the State Auditor.

2017-012

The Chancery Clerk should keep and preserve a complete and correct record of all proceedings and orders of the Board of Supervisors.

Repeat Finding

No.

Criteria

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 of the proceedings and orders of the Board. The statute goes on to state that the minutes of each day's proceedings shall either (a) be read and signed by the President or Vice-President, if the President is absent or disabled so as to prevent his signing of the minutes, on or before the first Monday of the month following the day of adjournment of any term of the Board of Supervisors; or (b) be adopted and approved by the Board of Supervisors as the first order of business on the first day of the next monthly meeting of the Board.

Condition

Included in the noted instances of noncompliance are the following:

- a. Bid openings were not adequately documented or were not documented at all.
- b. Approval of the previous meeting's minutes was not the first order of business.
- c. Details of debt issuances, including debt agreements, were not documented.
- d. At least one (1) personnel change was not documented.
- e. Interfund transfers were made without Board approval.
- f. Claims dockets entered in the minutes were dated after approval of said docket and some dockets entered were illegible.
- g. Other documents to which reference was made in the Board orders were not included in the minutes; e.g. the Chancery Clerk's contract for preservation of county records.
- h. As of August 10, 2018, the latest minutes prepared are for the May 19, 2018 meeting.

Cause

The Chancery Clerk failed to maintain a complete and detailed record of Board actions.

Effect

The lack of complete and correct Board minutes makes the actions taken by the Board undeterminable and increases the probability of the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk and the Board of Supervisors should implement procedures to ensure that Board minutes are complete, correct and current.

**Views of Responsible
Official(s)**

Clerk will implement procedures to ensure correction of this finding.

2017-013

The Chancery Clerk should settle land redemption proceeds timely and correctly in accordance with state law.

Repeat Finding

No.

Criteria

Section 27-45-1, Miss. Code Ann. (1972), requires the Chancery Clerk, out of the amount necessary to redeem land sold for taxes, to pay:

- (a) First, to the state the amount of state taxes with interest and additional charges thereof allowed by law, unless same has been paid previously by the tax purchaser or some other person;
- (b) Second, to the county the sums computed in like manner which belong to the county and the various taxing districts thereof, unless same has been paid previously by the tax

- purchaser or some other person;
- (c) Third, to the county the five percent (5%) damages on the amount of taxes for which the land was sold; and
- (d) Fourth, the balance to the purchaser.

The statute goes on to state that the Clerk shall make his redemption settlements within twenty (20) days after the end of each month and shall make a complete report thereof to the Board of Supervisors.

Condition	<p>The following errors were noted in settlements of land redemption proceeds in 2017:</p> <ul style="list-style-type: none"> a. Damages due to the Town of Wesson in the amount of \$7.49 were settled to the City of Brookhaven. b. Damages due to the County in the amount of \$122.09 were settled to the City of Brookhaven. c. Damages due to the County in the amount of \$339.21 were settled to the Brookhaven School District. d. Damages due to the Lincoln County School District in the amount of \$3,169.18 were settled to the Brookhaven School District. <p>Additionally, land redemption proceeds in the amount of \$350,348.55 were settled more than twenty (20) days after the end of the month in which they were collected. No evidence of the required monthly reports to the Board of Supervisors was recorded in the minutes of the Board of Supervisors' meetings.</p>
Cause	The Chancery Clerk failed to settle land redemption proceeds correctly and in a timely manner.
Effect	Failure to settle land redemption proceeds correctly resulted in overpayments to the City of Brookhaven and the Brookhaven School District in the amounts of \$129.58 and \$3,508.39, respectively; and underpayments to the Town of Wesson, Lincoln County and the Lincoln County School District in the amounts of \$7.49, \$461.30 and \$3,169.18, respectively. The Chancery Clerk is also in violation of state law for failure to settle land redemption proceeds in a timely manner and for failure to make the required monthly reports to the Board of Supervisors.
Recommendation	The Chancery Clerk should make the appropriate adjustments to his next land redemption settlement to correct the errors noted in the 2017 settlements. He should also examine his 2018 settlements to date and make the necessary adjustments to correct any error(s) noted. The Chancery Clerk should also implement procedures to ensure land redemption proceeds are settled within twenty (20) days of the end of the month in which they are collected. He should also submit the required monthly reports of land redemptions to the Board of Supervisors.
Views of Responsible Official(s)	Will make every effort to comply in the future and correct errors.

2017-014	<u>The Chancery Clerk should deposit land redemption proceeds in accordance with state law.</u>
Repeat Finding	No.
Criteria	Section 27-45-5, Miss. Code Ann. (1972), requires the Chancery Clerk to immediately deposit in the county depository of his county all sums of money paid to him by any person for the redemption of land sold for taxes in his county.
Condition	We noted as many as twenty days between the receipt of land redemption proceeds and the deposit of those same funds.
Cause	The Chancery Clerk failed to deposit land redemption proceeds on a daily basis.
Effect	Failure to deposit land redemption proceeds on a daily basis not only is a violation of state law, but

greatly increases the likelihood of the theft or loss of public funds.

Recommendation The Chancery Clerk immediately begin depositing land redemption proceeds on a daily basis in accordance with state law.

Views of Responsible Official(s) Clerk will make every effort to comply with audit recommendation.

2017-015 The Chancery Clerk should be paid only for meetings actually attended by himself and a deputy.

Repeat Finding No.

Criteria Section 25-7-9(1)(f) authorizes payment to the Chancery Clerk for each day's attendance on the Board of Supervisors for himself and one deputy in the amount of \$20.00 each.

Condition The Chancery Clerk was paid \$40.00 each for forty-seven (47) Board meetings in calendar year 2017. However, only forty (40) Board meetings were documented in the Board minutes for 2017 and the attendance of a Deputy Chancery Clerk was not documented for any of those meetings. The Clerk's attendance was documented for all forty (40) meetings. Accordingly, the Chancery Clerk was overpaid \$1,040.00 for attending Board meetings in 2017.

Cause The Chancery Clerk considered the County Administrator to be a Deputy Chancery Clerk. He also requested payment for attending meetings for which his attendance was not documented in the minutes.

Effect The overpayment to the Chancery Clerk resulted in the unauthorized use of public funds.

Recommendation The Chancery Clerk should immediately repay \$1,040.00 to the County and amend his 2017 Annual Financial Report accordingly. He should also implement procedures to ensure he is paid only for meetings actually attended by himself and/or a deputy clerk.

Views of Responsible Official(s) Historically, the Clerk has considered David Fields as Deputy Clerk and is present at all meetings. Clerk requests settlement to County for seven (7) meetings at \$40.00 found in findings - \$280.00.

Auditor's Note *David Fields has not taken the oath of office as a Deputy Chancery Clerk nor is he bonded as a Deputy Chancery Clerk. Accordingly, the finding remains unchanged.*

2017-016 Meals for individuals who are not county employees should not be paid for with the County credit card. Meals should not be paid for on the County credit card when the employee is working within his duty station (Lincoln County). Movie tickets should not be paid for with the County credit card.

Repeat Finding No.

Criteria Section 25-3-41 (4) , Miss. Code Ann. (1972), states that a public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the travel, subject to limitations placed on meals for intrastate and interstate official travel by the Department of Finance and Administration, provided, that the Legislative Budget Office shall place any limitations for expenditures made on matters under the jurisdiction of the Legislature.

Condition Upon reviewing credit card statements and receipts, the auditor noticed the following violations of state law:

- a. \$28.72 in meals was charged to the credit card at times in which the employee was within his duty station of Lincoln County.
- b. \$19.86 of these meals were purchased in Lincoln County during the time in which hotel

- receipts show that the employee was staying overnight for business in Jackson, MS.
- c. The employee paid \$23.47 for children's buffets and three (3) adult meals (receipted separately) while on the business trip in Jackson, MS.
 - d. The employee paid \$19.53 for movie tickets while on a business trip in Biloxi, MS.

Cause	The Chancery Clerk did not turn in receipts to support his use of the County's credit card.
Effect	Unauthorized expenses are paid for without proper approval from the Board and without proper maintenance of expenses and receipts.
Recommendation	The employee should immediately reimburse the county \$71.72 for the unauthorized expenses. All receipts should be thoroughly reviewed before payment is made. If unauthorized expenses occur, the employee should be responsible for paying them.
Views of Responsible Official(s)	Item D was for food, not movie tickets. Therefore, Clerk requests payment to Lincoln County of \$52.19
Auditor's Note	<i>No supporting documentation was provided for the charge at the Grand Theatre. Since we are unable to determine what was purchased, this charge cannot be approved and should be repaid to the County.</i>

2017-017	<u>All fees received by the Chancery Clerk's office should be reported on the Clerk's Annual Financial Report.</u>
Repeat Finding	No.
Criteria	Section 25-11-123(f)(4), Miss. Code Ann. (1972), states that the Chancery Clerk is responsible for both the employer and employee share of contributions on the proportionate share of net income attributable to fees.
Condition	The Clerk received \$20,011.66 in 2017 for collecting delinquent taxes for the City of Brookhaven. These receipts were not reported on the Clerk's Annual Financial Report (AFR).
Cause	The Clerk did not record receipt of commissions for collecting city taxes in his fee journal.
Effect	Failure to report all fees received on his AFR places the Clerk in violation of state statute and resulted in an underpayment in the amount of \$4,952.89 to the Mississippi Public Employees Retirement System (PERS).
Recommendation	The Chancery Clerk should amend his 2017 AFR to report the fees received for the collection of delinquent city taxes and pay the additional \$4,952.89 due to PERS on these fees. He should also implement procedures to ensure all funds received by his office are reported on his AFR in the future.
Views of Responsible Official(s)	Clerk will comply with recommendation.

2017-018	<u>Payments to the Chancery Clerk for services rendered as clerk of the Board of Supervisors should be made on the dates specified by state law.</u>
Repeat Finding	No.
Criteria	Section 25-7-9(1)(g), Miss. Code Ann. (1972), authorizes an allowance to be made to the Chancery Clerk for other services as the clerk of the Board of Supervisor, payable semiannually at the July and January meetings.

Condition	The Chancery Clerk received his semiannual payments for services provided as clerk of the Board of Supervisors in February 2017 and May 2017.
Cause	The payments to the Chancery Clerk for services rendered as the clerk of the Board of Supervisors were received at times other than those stated in the applicable state law.
Effect	The payments to the Chancery Clerk at times other than those authorized places the County in direct violation of state law.
Recommendation	The Board of Supervisors should implement procedures to ensure that payments to the Chancery Clerk for other services rendered as clerk of the Board of Supervisors are payable at the January and July meetings as specified by state law. The Chancery Clerk should not request this payment at any other time.
Views of Responsible Official(s)	Clerk will receive semiannual payments in July and January in the future.

Circuit Clerk.

2017-019	<u>The Circuit Clerk should claim only allowable expenses on his Annual Financial Report.</u>
Repeat Finding	No.
Criteria	Section 9-1-43(1), Miss. Code Ann. (1972), limits the Clerk's expenses to those allowed as deductions by Schedule C of the Internal Revenue Code.
Condition	The Circuit Clerk claimed the following unallowable expenses on his 2017 Annual Financial Report (AFR): <ol style="list-style-type: none"> 1. The Clerk reimbursed himself for 2,354 miles in 2017 at the rate of \$0.54 per mile, resulting in an overpayment of \$11.77. The maximum allowable rate for 2017 was \$0.535 per mile. 2. The Clerk claimed unallowable advertising expenses in the amount of \$1,304.13.
Cause	The Circuit Clerk was not aware of the change in the mileage rate or that certain types of advertising expenses were not an allowable expenses.
Effect	The Clerk claimed \$1,315.90 in unallowable expenses on his 2017 AFR.
Recommendation	The Clerk should pay \$1,315.90 to the County's General Fund, amend his 2017 AFR to reflect only allowable expenses, and implement procedures to ensure that all expenses claimed in the future are valid Schedule C expenses.
Views of Responsible Official(s)	I will submit a check to the county and amend the 2017 AFR.

Sheriff.

2017-020	<u>Internal controls in the Sheriff's Office should be strengthened.</u>
Repeat Finding	No.
Criteria	An effective system of internal control should include safeguarding cash at the Sheriff's Office.
Condition	We were unable to verify balance of cash appropriated for evidence purchases because the funds are kept at an officer's home. During our walkthrough, the Sheriff's bookkeeper stated that all buy money is kept in a locked safe at the Sheriff's office.

Cause	The Sheriff's Office does not have adequate controls in place to ensure safekeeping of funds appropriated for purchasing evidence.
Effect	Failure to implement proper controls to safeguard cash could lead to loss or misappropriation, fraud, waste and abuse of public funds.
Recommendation	The Sheriff should ensure that cash for the purchase of evidence and information is secured in a locked safe when the Officer is not making purchases or paying an informant.
Views of Responsible Official(s)	Corrected. Money will stay in office safe until needed. Officer normally keeps money in office, had been out buying narcotics on prior evening and didn't return to office before going home so he left money locked up at home and forgot to bring to office that day.

2017-021	<u>Public funds should be deposited no more than one (1) business day after receipt.</u>
Repeat Finding	No.
Criteria	Section 25-1-72, Miss. Code Ann. (1972), 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	Deposits are made on a weekly basis in the Sheriff's Office.
Cause	The Sheriff's Office collects such a small amount of money that more frequent deposits were not considered necessary.
Effect	Failure to deposit funds within one (1) business day of receipt could lead to loss or misappropriation, fraud, waste, and abuse of public funds.
Recommendation	The Sheriff's Office should make daily deposits of all collections.
Views of Responsible Official(s)	Will correct and change. Most days we collect less than \$100.

2017-022	<u>The jail meal log should be maintained in accordance with state law.</u>
Repeat Finding	No.
Criteria	Section 19-25-74, Miss. Code Ann. (1972), requires the Sheriff to file the log of meals served to prisoners at the jail monthly with the Board of Supervisors. The statute also states that no claims for the cost or expenses of feeding prisoners shall be approved by the Board of Supervisors for any month unless and until such log for that month is filed.
Condition	The prisoner meal log is not filed with the Board of Supervisors as required. Additionally, the related claims for feeding prisoners were paid without the log being filed as required.
Cause	The Sheriff was not aware of the requirement for the meal log to be turned in to the Board of Supervisors.
Effect	This could result in the payment for meals not received and places the County in violation of state law.
Recommendation	The Sheriff should file the meal log each month with the Board of Supervisors. The Board of Supervisors should not approve claims for feeding prisoners until the monthly log has been received from the Sheriff.

**Views of Responsible
Official(s)**

Meal log is currently turned in to accounts payable. Will correct and turn in to Board prior to bill being approved.

2017-023

The hiring and/or rehiring of individuals should be follow proper internal control by the Sheriff's office prior to the Board of Supervisors issuance of payroll checks.

Repeat Finding

No.

Criteria

Adequate internal controls of payroll includes approval and documentation of the hiring of all new and rehired county employees. All personnel files relating to payroll and employment status changes should be authorized and documented to ensure unauthorized disbursements are not made.

Condition

An individual's employment was terminated in 2014, but the individual was rehired in 2017. The employee's first paycheck after his rehire was dated April 13, 2017. However, the Sheriff did not submit the required personnel report to the Board of Supervisors and thus it was not approved until May 9, 2017.

Cause

The County's payroll software, obtained from Delta Computer Systems, allows an employee to remain on active status and thus receive a payroll check even if a termination date has been entered for the employee.

Effect

Failure to have the proper approval before issuing payroll checks could result in unauthorized payments.

Recommendation

The Sheriff should implement procedures to ensure all personnel reports are submitted to the Board for approval in a timely manner. The Board of Supervisors should implement procedures to ensure payroll checks are not issued to individuals whose employment, whether initial or upon rehire, has not yet been approved by the Board.

**Views of Responsible
Official(s)**

Deputy Lewis left full-time employment in 2014 but was placed on part-time as needed. He was not terminated. He returned to full-time status in 2018. The Sheriff's Office never considered him separated from the department.

Lincoln 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 County 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.

Sincerely,



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