

HINDS COUNTY MISSISSIPPI

COMPLIANCE REPORT

Special Reports

For the year ended *September 30, 2018*

SHAD WHITE
State Auditor

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

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HINDS COUNTY

SPECIAL REPORTS



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

**Shad White
AUDITOR**

September 14, 2020

**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
Hinds County, Mississippi

We have examined Hinds 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 bid requirements of *Section 31-7-13, Mississippi Code Annotated (1972)* during the year ended September 30, 2018. The Board of Supervisors of Hinds County, Mississippi is responsible for the County's compliance with those requirements.

Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Hinds 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, recommendations, and your responses are disclosed below:

Board of Supervisors.

Finding 1: Public Officials Should Ensure Compliance with State Law over Purchase Requisitions.

Applicable Law: *Section 31-7-113, Mississippi Code Annotated (1972)*, states, "The State Department of Audit, under the authority of Section 7-7-211, shall design and prescribe the form of the inventory to be made, the form of the purchase requisition, the form of the purchase order, the form of the receiving report; prescribe systems of filing and prescribe the system of records necessary for the maintenance of a central purchase system, receiving system and an inventory control system; and shall promulgate and prescribe such other documentation, procedures, and regulations necessary for the efficient maintenance of such systems."

The purchase requisition guidelines, included in the prescribed system of records necessary for the maintenance of a central purchase system, require purchase requisitions to be signed by an authorized person in the requesting department who has been assigned the authority to obligate the department's budget.

Finding Detail: During our testing of forty-five (45) purchases, we noted twelve (12) instances in which purchase requisitions were signed by unauthorized personnel in the road department. Failure to have authorized personnel sign purchase requisitions could result in unauthorized purchases and misappropriation of public funds.

Recommendation: We recommend the Purchase Clerk and department heads implement procedures to ensure authorized personnel, who have the authority to obligate the department's budget, sign all purchase requisitions.

Official Response:

Road Manger: The road department is addressing the issues that you stated above. Upon resolving these issues, I will write a letter to the Board at my earliest convenience. I will assign authority to an individual in my department as soon as possible. If you have any other concerns, feel free to contact me immediately.

Purchase Clerk: Purchase Clerk failed to provide an official response.

Repeat Finding: No.

Finding 2: Public Officials Should Ensure Compliance with State Law over Purchasing Documentation.

Applicable Law: *Section 31-7-13(b), Mississippi Code Annotated (1972)*, states, "Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000.00) but not more than Fifty Thousand Dollars (\$50,000), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained...The purchasing agent, or the purchase clerk, or their designee, as the case may be, and not the governing authority, shall be liable for any penalties and/or damages as may be imposed by law for any act or omission of the purchasing agent or purchase clerk, or their designee, constituting a violation of law in accepting any bid without approval by the governing authority."

Section 31-7-13(n)(i), Mississippi Code Annotated (1972), states, "All contracts for the purchase of commodities, equipment and public construction (including, but not limited to, repair and maintenance), may be let for periods of not more than sixty (60) months in advance, subject to applicable statutory provisions prohibiting the letting of contracts during specified periods near the end of terms of office."

Term contracts for a period exceeding twenty-four (24) months shall also be subject to ratification or cancellation by governing authority boards taking office subsequent to the governing authority board entering the contract."

Finding Detail: During our review of documentation for forty-five (45) expenditures, we noted the following instances of non-compliance:

- Three (3) purchases over \$5,000 but not over \$50,000 did not have documentation of competitive bids for the purchase of a furnisher (\$16,770), camera upgrades (\$18,339), and vehicle (\$33,018);
- Five (5) term bids for commodities totaling \$54,135 did not have documentation of approval by the Board.
- One (1) purchase totaling \$18,000 did not have purchase requisition documentation maintained in the claims files.

Failure to follow state purchasing laws could lead to fraud or misappropriation of public funds.

Recommendation: We recommend the Purchase Clerk implement procedures to ensure at least two (2) competitive bids are obtained for all purchases over \$5,000 but not over \$50,000. Also, the Board document the approval for contracts and term bids for the purchase of commodities in the minutes. Lastly, we recommend the Purchase Clerk should strengthen controls to ensure that the required purchasing documentation is maintained in the County's accounts payable files.

Official Response: Purchase Clerk failed to provide an official response.

Repeat Finding: No.

Finding 3: Public Officials Should Ensure Compliance with State Law over Purchasing Schedules.

Applicable Law: *Section 31-7-115, Mississippi Code Annotated (1972)*, states, "The State Auditor, or certified public accounts employed by the State Auditor, shall, upon the close of the fiscal year of the county, make an audit of the books, records, supporting documents and other data of the county purchase clerk and the inventory control clerk. The Auditor shall review the county's compliance with *Section 31-7-13(d), (k) and (m)*. The audit report shall include a schedule of purchases not made from the lowest bidder under the authority of *Section 31-7-13(d)*, with the reasons given therefor. The audit report shall include a schedule of emergency purchases made under the authority of *31-7-13(k)*. The audit report shall include a schedule of purchases made noncompetitively from a sole source under the authority of *Section 31-7-13(m)*."

Finding Detail: During our review of the County's purchase schedules, we that the Purchase Clerk incorrectly included two (2) purchases on the schedule as purchases made noncompetitively from a sole source. Those purchases included a Sheriff's vehicle, which was purchased on state contract and T-shirts, for which there are comparable products available from numerous vendors.

Improper inclusion of these purchases on the schedule of purchases made noncompetitively from a sole source resulted in the non-compliance with *Section 31-7-115*.

Recommendation: We recommend the Purchase Clerk should implement procedures to ensure purchases are properly recorded and documented on the annual purchase schedules, as required by law.

Official Response: Purchase Clerk failed to provide an official response.

Repeat Finding: No.

Board of Supervisors, Chancery Clerk, Purchase Clerk, and Sheriff.

Finding 4: Public Officials Should Ensure State Law over Compliance with Itemized Credit Card Report.

Applicable Law: *Section 19-25-13, Mississippi Code Annotated (1972)* states, "The board of supervisors may acquire one or more credit cards that may be used by the sheriff and his deputies to pay expenses incurred by them when traveling in or out of state in the performance of their official duties. The chancery clerk or county purchase clerk shall maintain complete records of all credit card numbers and all receipts and other documents relating to the use of those credit cards. The sheriff shall furnish receipts for the use of the credit cards each month to the chancery clerk or purchase clerk who shall submit a written report monthly to the board of supervisors, which report shall include an itemized list of all expenditures and use of the credit cards for the month, and the expenditures may be allowed for payment by the county in the same manner as other items on the claims docket. The issuance of a credit card to a sheriff or his deputy under the provisions of this section shall not be construed to authorize the sheriff or deputy sheriff to use the credit card to make any expenditure that is not otherwise authorized by law."

Finding Detail: During the testing of credit card expenditures, we noted that credit card claims from the Sheriff's office were approved by the Board of Supervisors without reviewing an itemized credit card report. Failure to enforce the requirements of *Section 19-25-13*, could result in misuse of the credit card as well as unauthorized or disallowed expenditures.

Recommendation: We recommend the Public Officials should implement procedures to ensure an itemized list of credit card expenditures is submitted to the Board of Supervisors for review prior to approval of the claims, as required by state law.

Official Responses:

Board of Supervisors: The Board of Supervisors will request the monthly credit card report of the Sheriff's Department from the Chancery Clerk.

Chancery Clerk: The Chancery Clerk's office will prepare a written report each month of credit card charges for travel by the Sheriff's Department. The report will include all travel charges paid on the upcoming claims docket, and it will be based the information received from the Sheriff's Department.

Purchase Clerk: Purchase Clerk failed to provide an official response.

Sheriff: After speaking with the Comptroller for the County, the cards were issued in or around 1987. Those records are not available in electronic format. The cards are used for the training/travel of employees of the Sheriff's Department, and receipts are submitted to the Chancery Clerk and placed on the claims docket for payment. The Sheriff will seek approval for the use of the credit cards from the Board of Supervisors and will seek approval each fiscal year to be reflected in the minutes.

Repeat Finding: No.

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, Mississippi Code Annotated (1972)*. The information contained on these schedules

has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system.

Hinds 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 Hinds 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.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is fluid and cursive, with the first name "Stephanie" being more prominent than the last name "Palmertree".

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

HINDS COUNTY

Schedule 1

Schedule of Purchases Not Made from the Lowest Bidder
For the Year Ended September 30, 2018

Our tests did not identify any purchases not made from the lowest bidder.

HINDS 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>
2/20/2018	Elevator Repair	\$ 49,450	Mid-South Elevators
6/18/2018	(3) Emergency Tornado Sirens	94,646	Federal Singal Sirens

HINDS COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2018

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
4/16/2018	K-9 Dogs	\$ 10,000	Southern State K-9
5/7/2018	Software Serve Q-Link License	9,360	KMSYS Worldwide, Inc.
5/21/2018	Twelve (12) X2CEW Tasers and Accessories	16,623	Axon Enterprise, Inc.



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

September 14, 2020

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Hinds 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 and Sheriff.

Finding 1: Public Officials Should Ensure Compliance with State Law over Meal Logs.

Applicable Law: *Section 19-25-74, Mississippi Code Annotated (1972)*, states, "...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 day served, and shall make affidavit as to the correctness thereof and file the same monthly with the board of supervisors. Such log shall remain on file with the board of supervisors as other records of said board and shall be made available to the state department of audit upon request. 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."

Finding Detail: During the testing of the Sheriff's department and review of board minutes, we noted the Sheriff is not presenting a meal log of prisoners to the Board. Failure to submit monthly meal logs to the Board of Supervisors could result in paying for an incorrect number of meals.

Recommendation: The Sheriff should implement procedures to ensure the meal log is presented to the Board of Supervisors, and the Board of Supervisors should ensure that the meal log is filed before meal expenses are approved through the claims docket.

Official Responses:

Board of Supervisors: We recommend the Board of Supervisors request the meal logs from the Sheriff Department for the feeding of the prisoners.

Sheriff: Meal log sheets are currently being kept up to date at the facilities. We will get those to the Clerk's Office. The Sheriff will follow the statute 19-25-74 and shall make an affidavit and file monthly meal logs sheets with the Clerk of Hinds County, MS.

Repeat Finding: No.

Board of Supervisors, Chancery, and Sheriff.

Finding 2: Public Officials Should Strengthen Controls over Credit Cards.

Internal Control Deficiency: An effective system of internal controls should include a written policy over the use of the credit card in its Sheriff's office.

Finding Detail: The County did not have a written credit card policy. Without a written credit card policy, there are no guidelines or procedures to follow regarding the use of the credit card. Lack of a policy governing the use of the credit card could result in the improper use of the credit card.

Recommendation: We recommend the Board of Supervisors implement a written policy for the use of the credit card.

Official Responses:

Board of Supervisors: The Board of Supervisors will establish a credit card policy for the County.

Chancery Clerk: The Chancery Clerk's office will prepare a written report each month of credit card charges for travel by the Sheriff's Department. The report will include all travel charges paid on the upcoming claims docket and will be based on the information received from the Sheriff's Department.

Sheriff: After the Sheriff's Department spoke with the Comptroller for the County, the cards were issued on around 1987. Those records aren't available in electronic format. These cards are used for the training/travel of employees of the Sheriff's Department. The receipts are submitted to the Chancery Clerk and placed on the claims docket for payment. The Sheriff will seek approval for the use of the credit cards from the Board of Supervisors and will seek approval each fiscal year to be reflected in the minutes.

Repeat Finding: No.

Chancery Clerk.

Finding 3: Public Officials Should Ensure Compliance with State Law over Land Redemption Settlements.

Applicable Law: *Section 27-45-1, Mississippi Code Annotated (1972)*, states, "The Clerk shall make his redemption settlements within twenty (20) days after the end of the month and shall make a complete report thereof to the Board of Supervisors. For a failure so to report or pay over sums to the parties entitled thereto as herein required, he shall be liable on his official bond to a penalty of one percent (1%) per month on the amount withheld..."

Finding Detail: During the testing of twelve (12) land redemption receipts, we noted settlements in the months of January, February, August, October, and November were not made to the County by the 20th of the following month. Settlements in these months were up to five (5) days late. Also, the Chancery Clerk did not submit a complete report to the Board of Supervisors.

Failure to make redemption settlements within twenty (20) days of month-end, resulted in noncompliance with state law. Additionally, per *Section 27-45-1*, failure to report or pay over the sums to the parties entitled thereto as herein required, shall be liable on his official bond to a penalty of one (1) percent per month on the amount withheld.

Recommendation: We recommend that the Chancery Clerk implement procedures to ensure land redemption is settled no later than the 20th of the following month, and a complete report thereof is submitted to the Board of Supervisors.

Official Response: The Chancery Clerk's office will complete the land redemption settlements by the 20th day of each month. The Chancery Clerk's office will make monthly reports of land redemption settlements to the Board of Supervisors and include the report in the Board's minutes.

Repeat Finding: No.

Circuit Clerk.

Finding 4: Public Officials Should Ensure Compliance with State Law over Annual Reports.

Applicable Law: *Section 9-1-45(1), Mississippi Code Annotated (1972)*, provides, "Each chancery and circuit clerk shall file, not later than April 15 of each year, with the State Auditor of Public Accounts a true and accurate annual report on a form to be designed and supplied to each clerk by the State Auditor of Public Accounts immediately after January 1 of each year."

Finding Detail: During the testing of the Circuit Clerk's Annual Financial Report, we noted the Circuit Clerk had not filed the report with the State Auditor's Office since 2017 as of May 3, 2019. Failure to file the Annual Financial Report by April 15th each year results in noncompliance with state law.

Recommendation: We recommend the Circuit Clerk implement procedures to ensure the Annual Financial Report is filed annually by April 15th with the State Auditor's Office, as required by state law.

Official Response: The Circuit Clerk was informed that the annual financial reports were not filed since 2017 with OSA as of May 3, 2019. The Circuit Clerk was unaware of the proper way to file the reports. With the first audit, the report was provided to the auditor and on the same day emailed with payment to

County and PERS. If it was improperly filed in 2017, there were not any notifications of not complying. This is the last year of my first term, and with visits and emails from OSA following each audit, this is my first to hear of not being in compliance. I ask for the removal of finding.

Auditor's Note: All Clerks should ensure that he or she understands all laws and requirements as they relate to compliance and the operations of his or her office. OSA Division of Technical Assistance offers training to all Clerks annually, and expanded training for new Clerks. This information is conveyed to Clerks in their annual training. This finding stands after discussion with the Clerk and management.

Repeat Finding: No.

Finding 5: Public Officials Should Ensure Compliance with State Law over Allowable Expenditures.

Applicable Law: *Section 9-1-43, Mississippi Code Annotated (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 deductions by Schedule C of the Internal Revenue Code. 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.

Finding Detail: During testing of the Circuit Clerk's expenses, we noted **\$5,831** in expenditures that are disallowed due to the limited nature of the advertisement. Failure to deduct the allowable expenses resulted in the Clerk being overpaid **\$5,831**.

Recommendation: We recommend the Circuit Clerk implement procedures to ensure all expenses claimed on the Annual Financial Report are allowable and repay the County's Treasury **\$5,830.73** for disallowed expenses. Additionally, the Clerk should file an amended AFR with PERS and OSA.

Official's Response: The Office of the Hinds County Circuit Clerk disputes your findings for Fiscal Year 2018 and offers the following facts and authority in support of this position. Your findings imply that \$5,831 of the Circuit Clerk's budget has been converted into income by me and/or should be repaid because the expenditures are disallowed. I believe your reliance on Section 9-1-43 is misplaced. This Section specifically references business expenses that are allowable on the Schedule C per IRS rules.

M.C.A. § 9-1-43 (2017, as amended) (with emphasis)

The \$5,831 in dispute in this matter constitutes legitimate business expenses as defined by the Internal Revenue Code:

IRS Publication 535, Business Expenses - Advertising expenses.

You generally can deduct reasonable advertising expenses that are directly related to your business activities. Generally, you can't deduct amounts paid to influence legislation (for example, lobbying). For more information, see Lobbying expenses, later.

You can usually deduct as a business expense the cost of institutional or goodwill advertising to keep your name before the public if it relates to business you reasonably expect to gain in the future. For example, the cost of advertising that encourages people to contribute to the Red Cross, to buy U.S. Savings Bonds, or to participate in similar causes is usually deductible.

In order for your findings to impute \$5,831 to me as income, or warrant repayment, there is a two-part test that must be analyzed.

First, you must show that I received these funds as compensation. That is not the case here. The detailed accounting provided to your office outlines the recipients of these funds. It is undisputed that each expense is documented and properly supported. Each entity is a legitimate business, many with national charters. I am not a member or shareholder of any of these companies. Additionally, I have not received services in-kind in exchange for any payments made to these vendors. Please note, "compensation" is not defined in the Mississippi Code and its reference in this matter is vague and ambiguous.

You must then consider if the expenditures referenced herein meet the IRS Publication 535 Test as reasonable advertising expenses. Your findings reference the IRS Code, without any apparent legal authority to support why these expenses are disallowed. The IRS Code related to Schedule C, by definition, explicitly allows advertising as an authorized and acceptable business expense. It does not, however, provide a definition or disallowance for the "limited nature of the advertisement." **Please provide my office with the authority in the Mississippi Code or Internal Revenue Code that specifically disallows the items in your findings as "limited nature of advertisement."**

Auditor's Note: As stated in *Mississippi Code, Section 9-1-43*, "The State Auditor shall promulgate uniform accounting methods for the accounting of all sources of income by the offices of the chancery and circuit clerk." The rules and regulations for advertising expenses were put into place to deter Mississippi Clerks from creating illegitimate business expenses to avoid paying over the cap monies back to the County. After multiple discussions and meetings with the Circuit Clerk, this finding stands, and the Clerk must pay **\$5,831** to the County. As of the date of this report, the amount has not been repaid. If the amount remains unpaid within 30 days, this matter will be referred to the OSA Investigative Division.

Repeat Finding: No.

Finding 6: The Circuit Clerk Should Ensure Compliance with State Law over Surety Bonds.

Applicable Law: *Section 9-7-123(2), Miss. Code Ann. (1972)*, states, "Each deputy clerk of the circuit court, before he enters upon the duties of the appointment, shall take the oath of office, and shall give bond, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty equal to three percent (3%) of the sum of all the state and county taxes shown by the assessment rolls and the levies to have been collectible in the county for the year immediately preceding the commencement of the term of office for the circuit clerk. However, the amount of such bond shall not be less than Fifty Thousand Dollars (\$50,000.00) nor more than One Hundred Thousand Dollars (\$100,000.00). The bond shall cover all monies coming into the hands of the deputy clerk by law or order of the court. The board of supervisors, in its discretion, may pay the bond on behalf of the deputy clerk."

Finding Detail: During our review of surety bonds, we noted that Deputy Circuit Clerks are not properly bonded. Failure to have proper surety bonds in place as required by state law could result in losses not being recoverable in the event of fraud or misappropriation of public funds.

Recommendation: We recommend the Circuit Clerk ensure all Deputy Clerks are bonded as required by state law.

Official Response: The Circuit Clerk refused to provide an official response.

Repeat Finding: No.

Sheriff.

Finding 7: Public Officials Should Strengthen Internal Controls over Deposits and Safekeeping of Monies Through Adequate Segregation of Duties.

Internal Control Deficiency: An effective system of internal controls for collecting, recording, and disbursing cash in the Sheriff's office should include adequate segregation of duties.

Finding Detail: During our review of the Sheriff's internal controls, it was noted that the same personnel are allowed to prepare deposits, deliver deposits to the bank, and sign checks for the Sheriff's Department. Failure to have strong internal controls over cash collections can lead to loss, theft, or misappropriation of public funds.

Recommendation: We recommend that the Sheriff implement effective internal control policies to ensure there is proper segregation of duties surrounding monies collected, settled, and deposited within the Sheriff's office.

Official Response: The Sheriff will implement the procedures for separation of duties for cash controls.

Repeat Finding: No.

Finding 8: Public Officials Should Ensure Compliance with State Law over Bank Deposits.

Applicable Law: *Section 25-1-72, Mississippi Code Annotated (1972)*, states, "All county officers who receive funds payable into the county treasury shall deposit such funds into the county depository on the day when they are collected or on the next business day thereafter."

Finding Detail: During our testing of receipts, we noted that the Sheriff's department made deposits weekly instead of the required timeframe. Failure to deposit funds in a timely manner could result in loss, misappropriation, fraud, waste, and abuse of public funds.

Recommendation: The Sheriff should implement procedures to ensure all funds received are deposited into the county depository on the day received or the next business day.

Official Response: The Sheriff's Office will follow statute 25-1-72 to ensure that all funds are deposited in a timely manner. Funds will be deposited within the day received or the next day.

Repeat Finding: No.

Finding 9: Public Officials Should Ensure Compliance with State Law over the Purchase of Information and Evidence Funds.

Applicable Law: *Section 99-27-37, Mississippi Code Annotated (1972)*, states, "The board of supervisors of any county in this state and mayor and board of aldermen, or board of aldermen and councilmen, as the case may be, of any municipality in this state are hereby authorized and empowered to appropriate, from time to time, sums of money, not exceeding one-third ($\frac{1}{3}$) 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....” All receipts in the purchase of evidence should be properly filled-out, documented, and supported.

Finding Detail: During the testing of the Sheriff’s PIPE (Purchase of Information and Purchase of Evidence) funds, we noted that thirteen (13) out of fifteen (15) receipts failed to list descriptions of the information and evidence purchased. Also, there was one instance in which the bona fide case number was not present on the receipt. Failure to record receipts properly resulted in invalid and unsupported transactions.

Recommendation: We recommend that the Sheriff implement procedures to ensure all receipts for the purchase of information and evidence are properly documented, recorded, and supported.

Official Response: The Sheriff will ensure that all vouchers are completed in full with a more detailed amount of the transaction taking place and the evidence purchased. The Sheriff’s Fiscal Officer noticed the vouchers in use, and in May 2018 implemented a numbered voucher and advised the Narcotics Deputies that a more detailed account of events must be included. Full compliance with *Mississippi Code Section 99-27-37* will be upheld.

Repeat Finding: No.

Tax Collector.

Finding 10: Public Official Should Ensure Compliance with State Laws over Property Taxes.

Applicable Law: *Attorney General Opinion (98-0199)*, states, “Sixteenth Section Land itself is exempt from taxes and cannot be sold for taxes. The leasehold interest is taxable and may be sold for failure to pay taxes. If the leasehold interest was sold, then via that sale, the County collected its taxes and there are not outstanding taxes. The purchaser of the leasehold interest continues the lease for the balance of the term paying all future taxes as they accrue. Since no redemption occurred, the balance of the lease matured to the tax purchaser. The remainder of the lease is all that was purchased and when the lease expires, taxes no longer accrue.” Accordingly, the Secretary of State states, when there are sixteenth section back taxes, the Tax Collector has the following options: 1.) Have the Board of Supervisors to strike off the back taxes and 2.) File a suit to collect from the former lessee that is liable for the back taxes. The lessee will be responsible for costs, fees, and attorney fees if the County Tax Collector files suit.

Finding Detail: During our review of Hinds County’s sixteenth section land, we noted the Tax Collector did not collect all delinquent property taxes owed on sixteenth section property. Failure to collect taxes on all sixteenth section lands has resulted in the County’s loss of ad valorem tax revenue.

Recommendation: We recommend that the Tax Collector implement procedures to ensure collection of all tax revenue owed to the County from sixteenth section property.

Official Response: The Tax Collector’s Office conducts annual tax lien sale yearly in August. In the tax sale, we do not sale “Sixteenth Section Land”. Prior to the commencement of the tax sale, The Tax Collector’s Office is given a list of unpaid parcels by the county’s Data Processing Department. If “Sixteenth Section Land” appears within the “unpaid” listings, we strike those parcels to the State of Mississippi. In order for us to accurately identify parcels as “Sixteenth Section Land” we read the legal description for each “unpaid” parcel. We are not given a separate list for “Sixteenth Section Land”. After

the completion of the tax sale, our files are electronically submitted to the Chancery Clerk's office for the stage of redemption. All prior year redemptions are collected through the Chancery Clerk's Office. If a tax sale is canceled by an approved board order, the Tax Collector's office sends out a corrected statement to the homeowner to collect unpaid taxes. If a parcel has matured to the State of Mississippi, funds are collected through the State of Mississippi. We cannot attest to the state's procedure for collecting funds.

Auditors Note: The Tax Collector is responsible for the collection of all taxes owed to the County. There should not be Sixteenth Section Lands sold or matured to the state. Therefore, any unpaid Sixteenth Section taxes are the sole responsibility of the County's Tax Collector according to state law and the Attorney General's Opinion above.

Repeat Finding: No.

Board of Supervisors, Constables, Justice Court Deputy Clerk, Tax Collector, Deputy Tax Assessors.

Finding 11. Public Officials Should Ensure Compliance with State Law over Surety Bonds.

Applicable Law: *Section 25-1-15, Mississippi Code Annotated (1972)*, states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or the normal election cycle of the local government applicable to the employee."

Finding Detail: During the testing of surety bonds, we noted nine (9) out of forty-two (42) employees' bonds were listed as Continuation Certificates. The following positions were covered by Continuation Certificates:

- Two (2) Supervisors
- Constables
- Justice Court Deputy Clerk
- Tax Assessor
- Three (3) Deputy Tax Assessors
- Tax Collector

Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation: We recommend that the County implement procedures to ensure all bonds are secured and recertified every four (4) years, or it could limit the amount available for recovery due to negligent errors and omissions.

Official Response: Public Officials failed to provide an official response.

Repeat Finding: No.

Board of Supervisors, Chancery Court Judges, Circuit Court Judges, Coroner, and Justice Court Judges.

Finding 12: Public Officials Should Ensure Compliance with State Law over Statements of Economic Interest.

Applicable Law: *Section 25-4-25, Mississippi Code Annotated (1972)*, provides that “Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a) Persons elected by popular vote...”

Section 25-4-29, Mississippi Code Annotated (1972), provides that “(1) Required statements hereunder shall be filed as follows: a) Every incumbent public official required....to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration...(2) Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00) shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer’s county of residence...”

Finding Detail: During our review of the Statement of Economic Interest, we noted the following elected public officials had not filed the form by May 1st annually while in office, as required by state law:

- One (1) Supervisor
- All Chancery Court Judges
- All Circuit Court Judges
- Coroner
- Two (2) Justice Court Judges

Failure to file the Statement of Economic Interest, as required by state law, results in non-compliance with *Section 25-4-25* and could result in fines assessed and a civil judgment being enrolled against the delinquent filers, as allowed by *Section 25-4-29*.

Recommendation: We recommend that all Public Officials ensure their Statements of Economic Interest are filed annually, no later than May 1st of each year, that such official holds office, regardless of the duration.

Official Responses:

Supervisor: The Board Member has filed the necessary Statement of Economic Interest (SEI) with the Mississippi Ethics Commission.

Chancery Court Judges: Public Officials failed to provide an official response.

Circuit Court Judges: Public Officials failed to provide an official response.

Coroner: This matter has been taken care of.

Justice Court Judge #1: Public Official failed to provide an official response.

Justice Court Judge #2: Public Official failed to provide an official response.

Repeat Finding: No.

Hinds 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,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive, flowing style.

STEPHANIE C. PALMERTREE, CPA, CGMA
Director, Financial and Compliance Audit