

PANOLA 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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PANOLA COUNTY

TABLE OF CONTENTS

SPECIAL REPORTS.....	4
Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by <i>Section 31-7-115, Mississippi Code Annotated (1972)</i>).....	5
Limited Internal Control and Compliance Review Management Report.....	14

PANOLA COUNTY

SPECIAL REPORTS



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
Shad White
AUDITOR**

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

Members of the Board of Supervisors
Panola County, Mississippi

We have examined Panola 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, Mississippi Code Annotated (1972)* during the year ended September 30, 2018. The Board of Supervisors of Panola 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 Panola 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 review procedures disclosed certain instances of noncompliance with the aforementioned code sections. Our findings and recommendations and your responses are disclosed below.

Purchase Clerk

1. The Purchase Clerk Should Ensure Compliance with State Law over Credit Cards.

Repeat Finding: No.

Criteria: *Section 19-3-68, Mississippi Code Annotated (1972)* states, "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 such credit cards. 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. The issuance of a credit card to a Supervisor or county employee under the provisions of this section does not authorize the Supervisor or county employee to use the credit card to make any expenditure that is not otherwise authorized by law. Any Supervisor or county employee who uses the credit card to make an expenditure that is not approved for payment by the Board shall be personally liable for the expenditure and shall reimburse the County.”

Condition:

As a result of procedures performed, the following exceptions were noted:

- Ten (10) instances where a monthly itemized report was not completed and presented to the Board of Supervisors;
- Twenty-two (22) instances where meal receipts were not itemized; and
- Twenty-four (24) instances where receipts were not attached to the credit card statement.

Cause:

County employees did not follow the Mississippi statute listed above.

Effect:

Failure to maintain credit card receipts and submit monthly itemized reports could result in fraud or misappropriation of public funds.

Recommendation:

The Purchase Clerk should maintain every credit card receipt and submit a written itemized report to Board of Supervisors monthly.

Official Response:

I will be sure to get with the Sheriff’s department about the correct receipts and to be sure they turn in all receipts. I will be sure there is a monthly report for the Board to sign for all credit card transactions.

2. The Purchase Clerk Should Ensure Compliance with State Laws over the Central Purchasing System.

Repeat Finding:

No.

Criteria:

Section 31-7-103, Mississippi Code Annotated (1972), states, “The central purchase system shall comply with the requirements prescribed by the State Department of Audit under the authority of *Section 7-7-211* and in accordance with *Section 31-7-113*, and the Purchase Clerk shall be responsible for the maintenance of such system.”

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.”

Condition:

As a result of procedures performed, the following exceptions were noted:

- Ten (10) instances where receiving reports were not signed by the Purchase Clerk;

- Seven (7) instances where the purchase orders were not complete, such as no units, price per unit, or extensions; and
- One (1) instance where no purchase requisition was issued for a purchase of a camera system in the amount of \$20,147.

Cause: The county employee did not comply with the statutes provided above.

Effect: Failure to complete all purchase documents, could lead to fraud and/or the misappropriation of funds.

Recommendation: The Purchase Clerk should ensure all purchasing documents are completed.

Official Response: I will be sure that all quotes and requisitions are attached to all purchase orders. I will also be sure to sign all receiving reports as well.

3. The Purchase Clerk Should Ensure Compliance with State Laws over Purchasing.

Repeat Finding: No.

Criteria: *Section 31-7-13(b), Mississippi Code Annotated (1972)*, states, “Purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000) 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.”

Section 31-7-13(c)(i)(1), Mississippi Code Annotated (1972), states, “Purchases which involve an expenditure of more than Fifty Thousand Dollars (\$50,000), exclusive of freight and shipping charges, may be made from the lowest and best bidder after advertising for competitive bids once each week for two (2) consecutive weeks in a regular newspaper published in the county or municipality in which such agency or governing authority is located.”

Condition: As a result of procedures performed, the following exceptions were noted:

- No bids were found for the purchase of emergency equipment from Stryker in the amount of \$89,747;
- No bids were found for the purchase of garbage cans from Cascade Engineering in the amount of \$29,010; and
- No bids were found for the purchase of radios from Anderson Communications in the amount of \$6,751.

Cause: The County employee did not comply with the statutes provided above.

Effect: Purchase made without receiving competitive bids could result in overpayment for goods or services, fraud, and misappropriation or loss of public funds.

Recommendation: The Purchase Clerk should obtain competitive bids for purchases as required in the statutes provided above.

Official Response: I will be sure that all quotes and requisitions are attached to all purchase orders. I will also be sure to sign all receiving reports as well. I will also be sure that all bids are attached to the purchase orders.

4. The Purchase Clerk Should Strengthen Internal Controls Regarding Maintaining Purchasing Documents.

Repeat Finding: No

Criteria: An effective system of internal controls should include obtaining detailed purchase documentation and approval of competitive bids by the Board of Supervisors prior to purchase orders being issued.

Condition: As a result of procedures performed, the following exceptions were noted:

- Two (2) purchase orders were issued prior to the approval of competitive bids by the Board of Supervisors for an A/C unit in the amount of \$6,089 and a camera system in the amount of \$20,147;
- The lowest and best quote for the purchase of rifles in the amount of \$11,520 was not approved by the Board of Supervisors; and
- As a result of the County paying from a summarized statement rather than a detailed invoice, a purchase of chemicals in the amount of \$32,166 exceeded the term bid price that was approved by the Board of Supervisors by \$4,740.

Cause: The County employee did not comply with adequate internal controls provided above.

Effect: Purchase made without the approval of competitive bids by the Board of Supervisors or detailed purchasing documents could result in overpayment for goods or services, fraud, and misappropriation or loss of public funds.

Recommendation: The Purchase Clerk should only make purchases after competitive bids have been approved by the Board of Supervisors and issue claims after obtaining detailed purchasing documents.

Official Response: I will be sure that all quotes and requisitions are attached to all purchase orders. I will also be sure to sign all receiving reports as well. I will also be sure that all bids are attached to the purchase orders.

Purchase Clerk, Receiving Clerk

5. The Purchase Clerk and Receiving Clerk Should Ensure Compliance with State Laws over Surety Bonds.

Repeat Finding: No.

Criteria: *Section 25-1-15(2), 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 with the normal election cycle of the local government applicable to the employee."*

Section 31-7-124, Mississippi Code Annotated (1972), states, “The Purchase Clerk, Receiving Clerk and Inventory Control Clerk shall give bond in a penalty equal to Seventy-five Thousand Dollars (\$75,000) with sufficient surety, to be payable, conditioned and approved as provided by law. All Assistant Purchasing, Receiving and Inventory Control Clerks shall be bonded in a penalty not less than Fifty Thousand Dollars (\$50,000).

Condition:

Upon our review of the bond schedule and the surety bonds required to be secured by *Section 31-7-124, Mississippi Code Annotated (1972)*, the following exceptions were noted:

- Purchase Clerk was covered by a one-year bond that expired prior to the end of the fiscal year.
- Two (2) Assistant Purchase Clerks were covered by one-year “Continuation Certificates”.
- One (1) Assistant Purchase Clerk had no bond on file.
- Receiving Clerk was covered by a “Continuation Certificate” with no position noted.
- Five (5) Assistant Receiving Clerks were covered by one-year “Continuation Certificates”.
- Three (3) Assistant Receiving Clerks were covered by one-year “Continuation Certificates” that did not cover the entire fiscal year.
- One (1) Assistant Receiving Clerk was covered by a one-year bond followed by a one-year “Continuation Certificate”.
- One (1) Assistant Receiving Clerk had no bond on file.

A “Continuation Certificate” is a document that extends the life of the original surety bond. A “Continuation Certificate” only covers the current bonding period rather than both the current and previous periods.

Cause:

County employees did not follow the Mississippi statutes listed above.

Effect:

Failure to have a surety bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms. Additionally, failure to comply with the statute by being correctly and sufficiently bonded could result in the loss of public funds.

Recommendation:

The Purchase Clerk and Receiving Clerk should ensure that they and all Assistant Clerks are properly bonded, that bonds secured list a term of office covered, and that new bonds are secured every four (4) years concurrent with the normal election cycle of the Governor.

Official Response:

Purchase Clerk: From here on out, I will be sure to be bonded for a 4 year term and not a continuation. I will also be sure that all Assistant Purchase Clerks are bonded correctly.

Receiving Clerk: I will be working with County Administrator until we have this in order."

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.

Panola 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 Panola 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,

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
Office of the State Auditor

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

Schedule 1

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

Panola County
Schedule of Emergency Purchases
For the Year Ended September 30, 2018

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
2/18/2018	28 Yd Automated Garbage Truck	\$296,566	Crows Truck Service	Total loss of truck due to accident on 12/13/17; no extra trucks in inventory and rental was required-unbudgeted \$8,000 a month-ordering replacement was required ASAP to limit costs and six (6) months for production of replacement truck.
4/27/2018	Automated Weather Observing System	\$136,215	Reid Electric Service, Inc.	Total loss of Automated Weather Observing System due to an electrical storm on February 28, 2018. Equipment necessary for reporting weather conditions to incoming air traffic-no time for delay in purchasing

Panola County
Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2018

Schedule 3

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



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
Shad White

Members of the Board of Supervisors
Panola County, Mississippi

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

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

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

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

Board of Supervisors

2018-001 The Board of Supervisors Should Ensure Compliance with State Laws over Quarterly Budget Appropriations for the Tax Assessor/Collector and Sheriff.

Repeat Finding: No.

Criteria: *Section 19-25-13, Mississippi Code Annotated (1972)*, states, "The Board of Supervisors shall, at its first meeting of each quarter beginning on October 1, January 1, April 1 and July 1, appropriate a lump sum for the Sheriff for the expenses of his office during the current quarter. The quarterly appropriation shall be one-fourth (1/4) of the amount approved in the annual budget unless the Sheriff requests a different amount."

Section 27-1-9 (c), Mississippi Code Annotated (1972), states, "The Board of Supervisors shall, at its first meeting of each quarter beginning on October 1, January 1, April 1, and July

1, appropriate a lump sum for the Assessor and Tax Collector for the expenses of his office during the current quarter. The quarterly appropriation shall be one-fourth (1/4) of the amount approved in the annual budget unless the Assessor and Tax Collector requests a different amount.”

Condition:	The Board of Supervisors does not spread upon the official board minutes of the first meeting of each quarter beginning on October 1, January 1, April 1 and July 1, the appropriations of a lump sum for the Sheriff, Tax Assessor, or the Tax Collector for the expenses of their offices during the current quarter.
Cause:	The Board of Supervisors did not follow the Mississippi statute listed above.
Effect:	Failure to spread upon the official board minutes of the first meeting of each quarter, the appropriations of a lump sum for the Sheriff, Tax Assessor, and the Tax Collector for the expenses of their offices during the current quarter is a violation of <i>Sections 27-1-9 (c) and 19-25-13</i> .
Recommendation:	The Board of Supervisors should spread upon the official board minutes of the first meeting of each quarter beginning on October 1, January 1, April 1 and July 1, the appropriations of a lump sum for the Sheriff, Tax Assessor, and the Tax Collector for the expenses of their offices during the current quarter.
Official Response:	The Board was unaware that this was a requirement. This issue will be resolved and quarterly appropriations will be made as required.

2018-002	<u>The Board of Supervisors Should Ensure Compliance with State Law over Vendors, Contractors, and Subcontractors.</u>
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Repeat Finding:	No.
Criteria:	<i>Section 25-4-105 3(a), Mississippi Code Annotated (1972)</i> , states, “No public servant shall be a contractor, subcontractor or vendor with the governmental entity of which he is a member, officer, employee or agent, other than in his contract of employment, or have a material financial interest in any business which is a contractor, subcontractor or vendor with the governmental entity of which he is a member, officer, employee or agent.”
Condition:	As a result of procedures performed, it was noted that a sanitation employee was also paid as a vendor performing mechanical repairs for a total of \$11,735.
Cause:	County employees did not follow the Mississippi statute listed above.
Effect:	Failure to comply with this statute can result in ethics violations in accordance with <i>Section 25-4-105 3(a)</i> .
Recommendation:	The Board of Supervisors should not enter into a contract with an employee of the County, and should inquire with the Mississippi Ethics Commission to determine if any additional action should be taken.
Official Response:	This was a temporary event that occurred during loss of our Solid Waste Mechanic.

Official Response: This was a temporary event that occurred during loss of our Solid Waste Mechanic. This employee is no longer working in that capacity or being paid as a vendor.

2018-003 The Board of Supervisors Should Ensure Compliance with State Law over Documenting the Road Manager's Duties.

Repeat Finding: No.

Criteria: *Section 65-17-1(2), Mississippi Code Annotated (1972), states, "...The Board of Supervisors shall adopt the general policies to be followed in administration of the county road department...The County Road Manager, under the policies determined by the Board of Supervisors and subject to the Board's general supervision and control, shall administer the county road department, superintend the working, construction and maintaining of the public roads and the building of bridges in such county, and carry out the general policies of the Board in conformity with the estimates of expenditures fixed in the annual budget as finally adopted by the Board or as thereafter revised by appropriate action of the Board. All requisitions for the purchase and repair of all equipment, heavy equipment, machinery, supplies, commodities, materials and services for the county road department shall be prepared by the County Road Manager and submitted to the county department of purchasing for processing in accordance with the central purchasing system..."*

Condition: The Road Manager's duties are were not reflected the in the Personnel Policy and Procedures Manual.

Cause: The County did not include the duties of the Road Manager in the Personnel Policy and Procedures Manual.

Effect: Failure to have duties defined for the Road Manager could result in lack of oversight of the road department employees, failure to control expenditures within budget estimates, and unauthorized expenditures within the purchasing guidelines.

Recommendation: The Board of Supervisors should include the duties of the Road Manager in their Personnel Policy and Procedures Manual.

Official Response: The current board was unaware that this was not done in 1989 when the county transitioned from a beat to a unit system and appointed its first county wide road manager. This issue will be addressed and minutes will be correct moving forward. The Road Manager's duties will be adopted and spread upon the minutes.

2018-004 The Board of Supervisors Should Ensure Compliance with State Law over Unemployment Trust Funds.

Repeat Finding: No.

Criteria: *Section 71-5-359(5), Mississippi Code Annotated (1972), states, "Each political subdivision, unless it elects to make contributions to the unemployment compensation fund as provided in subsection (9) of this section, shall establish a revolving fund and deposit an amount equal to two percent (2%) of the first Six Thousand Dollars (\$6,000) paid to each employee thereof during the next preceding year. However, the department shall by regulation establish a*

procedure to allow reimbursing political subdivisions to elect to maintain the balance in the revolving fund as required under this paragraph or to annually execute a surety bond to be approved by the department in an amount not less than two percent (2%) of the covered wages paid during the next preceding year.”

Condition:	The Unemployment Revolving Fund account balance is \$4,458 below the required amount based upon wages for the fiscal year ended September 30, 2018.
Cause:	There were insufficient contributions into the account throughout the year.
Effect:	Having an insufficient balance in the revolving fund is a violation of the statute listed above.
Recommendation:	The Board of Supervisors should maintain a balance in the revolving fund of an amount equal to two percent (2%) of the first Six Thousand Dollars (\$6,000) paid to each employee thereof during the next preceding year.
Official Response:	Corrective action will be taken and procedures will be put into place to remain in compliance moving forward.

2018-005	<u>The Board of Supervisors Should Ensure Compliance with State Law over Funds for Buying Evidence or Information.</u>
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Repeat Finding:	No.
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Criteria:	<i>Section 99-27-37, Mississippi Code Annotated (1972), states, “The Board of Supervisors...are hereby authorized and empowered to appropriate from time to time, sums of money not exceeding one-third (1/3) of the fines which have been collected by them respectively, from the unlawful sale or possession of intoxicating liquors and/or narcotics and/or other illegal drugs, for the purpose of defraying expenses incurred by law enforcement agencies in the procuring of evidence of violations of statutes or ordinances, as the case may be, against the unlawful sale or keeping of intoxicating liquors and/or narcotics and/or other illegal drugs.”</i>
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Condition:	As a result of procedures performed, it was noted that the Board of Supervisors appropriated \$9,113 more than the statutory limitation of one-third (1/3) of fines collected by the Sheriff’s Office for use to buy evidence or information from confidential informants.
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Cause:	County officials did not follow the Mississippi statute listed above.
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Effect:	Failure to appropriate only the allowed amount could result in the misappropriation of county funds.
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Recommendation:	The Board of Supervisors should appropriate only one-third (1/3) of fines collected by the Sheriff’s Office for the use of procuring evidence or information.
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Official Response:	We were unaware of this limitation and will correct this issue. No further monies will be issued until confirmed in compliance with statute.
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2018-006	<u>The Board of Supervisors Should Strengthen Internal Control over Claim Numbers Approved in Board Minutes.</u>
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Repeat Finding:	No.
Criteria:	Adequate internal controls over the approval of claims should include printing the beginning and ending approved claim numbers in the official board minutes so that claim numbers not actually approved by the Board cannot be written in at a later date.
Condition:	When listing claim numbers approved in the official board minutes, the beginning number is typed, but the ending number is hand written.
Cause:	Ending claim numbers are handwritten in the official board minutes.
Effect:	Failure to have a specified, typed ending claim number recorded in the official board minutes could allow claim numbers that were not actually approved by the Board of Supervisors to be added at a later date. This could result in overpayment for goods or services, fraud, and misappropriation or loss of public funds.
Recommendation:	The beginning and ending claim numbers should be typed in the official board minutes.
Official Response:	Corrective measures will be put in place.

Chancery Clerk

2018-007	<u>The Chancery Clerk Should Ensure Compliance with State Laws over Collection of Statutory Fees.</u>
Repeat Finding:	No.
Criteria:	<i>Section 9-1-43(1), Mississippi Code Annotated (1972), states, "After making deductions for employer contributions paid by the Chancery or Circuit Clerk to the Public Employees' Retirement System under Sections 25-11-106.1 and 25-11-123(f)(4), employee salaries and related salary expenses, and expenses allowed as deductions by Schedule C of the Internal Revenue Code, no office of the Chancery Clerk or Circuit Clerk of any county in the state shall receive fees as compensation for the Chancery Clerk's or Circuit Clerk's services in excess of Ninety Thousand Dollars (\$90,000)..."</i>
Condition:	As result of procedures performed, the following exceptions were noted: <ul style="list-style-type: none"> • Three (3) instances of disallowed Schedule C expenses totaling \$220 for donations and contributions to the Rotary Club of Batesville; and • \$5,279 of disallowed expenses, which includes \$5,100 for employer contributions to PERS for the Chancery Clerk paid through the fee journal during the current year, \$106 that was already included as Prior Year Employer Retirement Contribution on Wages for Clerk, and \$73 in fee journal data entry errors throughout the year.
Cause:	The Chancery Clerk deducted expenses on the Annual Financial Report that were not allowable under <i>Section 9-1-43(1)</i> .

Effect:	The deduction of disallowed expenses will result in an overstatement of expenses on the Annual Financial Report and will result in the need for the Chancery Clerk to reimburse the County for these amounts.
Recommendation:	The Chancery Clerk should ensure that only allowable expenses are deducted in the future, file an amended Annual Financial Report, and remit the disallowed amount to the County.
Official Response:	Although I disagree with the report I will issue a check to the county in the near future for \$5,399.
Auditor's Note	The Chancery Clerk remitted check number 4459 in the amount of \$5,399 to the Panola County General Fund for disallowed expenses, as evidenced by the County's receipt number 37577 on May 3, 2019.

2018-008	<u>The Chancery Clerk Should Ensure Compliance with State Law over Timely Bank Deposits.</u>
Repeat Finding:	No.
Criteria:	<i>Section 25-1-72, Mississippi Code Annotated (1972)</i> , 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."
Condition:	Based upon procedures performed, ten (10) out of ten (10) receipts tested were not timely deposited.
Cause:	The Chancery Clerk failed to deposit fees received on the same day or next business day.
Effect:	Failure to timely deposit fees received could result in fraud and/or misappropriation of public funds.
Recommendation:	The Chancery Clerk should ensure that fees received are deposited on the same day or next business day.
Official Response:	In the future I will make every effort to make timely deposits.

2018-009	<u>The Chancery Clerk Should Ensure Compliance with State Law over Land Redemption.</u>
Repeat Finding:	No.
Criteria:	<p><i>Section 27-45-1, Mississippi Code Annotated (1972)</i>, states, "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. For a failure so to report or to pay over the 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. The Chancery Clerk shall also note each redemption on the public record of delinquent tax lands, on the day payment of taxes is made, with the date, name and the amount of redemption money paid."</p> <p><i>Section 27-105-371, Mississippi Code Annotated (1972)</i>, states, "All county officials who receive funds under the authority of their office shall deposit such funds into a county</p>

depository. Any unidentifiable funds found by the County Auditor or the State Auditor in the county depository shall be settled into the general fund of the County within thirty (30) days of the determination.”

Condition:	Based upon procedures performed, a \$422 unidentifiable cash overage in the land redemption bank account was noted. Based upon inquiry of the Chancery Clerk, the unidentifiable cash overage was the cumulative effect of the public’s immaterial overpayment of land redemption fees.
Cause:	The Chancery Clerk did not correctly settle land redemption monies.
Effect:	The incorrect settlement of land redemption monies may result in the incorrect collection of fees, misappropriation, and/or loss of public funds.
Recommendation:	The Chancery Clerk should take steps to identify the cash overage and disburse the monies to the proper individual. Any unidentifiable overages should be settled to the county depository as statutorily required.
Official Response:	The \$421.94 is an accumulation of land taxes paid through mail that were in excess of what was due. The balance was put into the land redemption account and held unless it was an excessive amount which was refunded. This is a result of 15 plus years of accumulation. It was my intent to settle the balance to the County upon my leaving office and thus creating a zero balance.

2018-010	<u>The Chancery Clerk Should Ensure Compliance with State Law over Public Depositors Annual Report.</u>
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Repeat Finding:	No.
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Criteria:	<p><i>Section 27-105-5(6) Mississippi Code Annotated (1972)</i>, states, “Public depositors shall comply with the following requirements:</p> <p>(a) A public depositor shall ensure that the name of the public depositor and its tax identification number are on the account or certificate provided to the public depositor by the qualified public depository in a manner sufficient to disclose the identity of the public depositor;</p> <p>(b) Not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and 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. A public entity established during the year shall furnish its official name, address and federal tax identification number to the State Treasurer before making any public deposit.”</p>
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Condition:	The Public Depositors Annual Report filed did not list two (2) of the banks that hold county funds.
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Cause:	The list of bank accounts provided on the Public Depositors Annual Report was incomplete.
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Effect:	Failure to notify the State Treasurer of all accounts held with qualified public depositories and the balances in those accounts, as of its fiscal year end, increases the risk that the County’s
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total deposits may not be properly collateralized and results in noncompliance with *Section 27-105-5 (6)(b)*.

Recommendation: The Chancery Clerk should strengthen controls to ensure the correct account information is filed with the State Treasurer's office within thirty (30) days following its fiscal year end.

Official Response: This was an oversight and an amended return has been completed and submitted.

2018-011 The Chancery Clerk Should Strengthen Internal Control over Cash Collections and Disbursements.

Repeat Finding: No.

Criteria: An effective system of internal controls should include adequate segregation of duties with regard to the collection and disbursement of cash.

Condition: As noted during procedures performed, cash collection and disbursement functions are not adequately segregated for effective internal controls. The Chancery Clerk makes deposits, calculates the monthly settlements, posts to the fee journal, reconciles the bank statements, and disburses all funds.

Cause: The Chancery Clerk did not implement adequate segregation of duties with respect to cash collections and disbursements.

Effect: Failure to implement adequate segregation of duties could result in the loss and/or misappropriation of public funds.

Recommendation: The Chancery Clerk should take steps to ensure adequate segregation of duties are implemented surrounding the cash collection and disbursement functions in the Chancery Clerk's office, or take steps to see that a system of external oversight over operating procedures of the Chancery Clerk's office is implemented.

Official Response: Deputy Clerks make out deposits for the Clerk's Fee Account (Clearing Fund) for both court and land fees collected. In District One the Deputy Clerk makes out deposits as well as making the deposit. She also writes refund checks as needed. The Chancery Clerk handles all other transactions and reconciles all related bank statements monthly.

Auditor's Note Per conversation, the Chancery Clerk acknowledged there was no segregation of duties; however, the Clerk was insistent that the deposits and cash disbursements were his responsibility and as such, he was the only one to complete those functions.

Chancery Clerk, Circuit Clerk, Justice Court Clerk, Tax Assessor/Collector, County Administrator, Constable Post 1

2018-012 County Officials Should Ensure Compliance with State Laws over Surety Bonds.

Repeat Finding: No.

Criteria:	<i>Section 25-1-15, Mississippi Code Annotated (1972)</i> , requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor.
Condition:	<p>During our review of the County’s surety bond schedule and statutorily required surety bonds for officials and employees, several exceptions were noted:</p> <ul style="list-style-type: none"> • One (1) official was covered by a four-year “Continuation Certificate”; • One (1) employee was covered by a one-year bond followed by a one-year “Continuation Certificate”; • Eighteen (18) employees were covered by one-year bonds; • Seven (7) employees were covered by one-year “Continuation Certificates”; • One (1) employee was covered by a one-year “Continuation Certificate” that did not cover the entire fiscal year; and • Three (3) officials and employees had no bond on file. <p>A “Continuation Certificate” is a document that extends the life of the original surety bond. A “Continuation Certificate” only covers the current bonding period rather than both the current and previous periods.</p>
Cause:	Surety bonds for county officials and employees were not secured in the manner required by state statute.
Effect:	Failure to have a correct bond in place for a specific term or office could limit the amount available for recovery if a loss occurred over multiple terms.
Recommendation:	County officials should ensure that surety bonds are secured in the correct amounts, list a term of office covered, and new bonds are secured every four (4) years concurrent with the normal election cycle of the Governor.
Official Response:	<p>Chancery Clerk: Continuation certificates will be replaced in the future at the beginning of each new term with new bonds. I thought that continuation certificates were appropriate.</p> <p>Circuit Clerk: I was unaware of this issue, it will now be resolved.</p> <p>Tax Assessor/Collector: Will begin to do four years.</p> <p>Justice Court Clerk: I am going to work with County Admin to be sure all bonds are in place, are in the proper name and with the proper title.</p> <p>County Administrator: The bond was issued and in place, but through oversight it wasn’t on file with the Chancery Clerk. The certificate of bond was stapled to the invoice in the claims files. The bond certificate was immediately filed upon discovery of this oversight.</p> <p>Constable Post 1: There was a bond in place under prior constable’s name when they appointed myself for the position. The correction was not properly filed.</p>

Circuit Clerk

2018-013	<u>The Circuit Clerk Should Ensure Compliance with State Law over Bank Deposits.</u>
Repeat Finding:	No.
Criteria:	<i>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."</i>
Condition:	Based upon procedures performed, twenty (20) out of twenty (20) receipts tested were not deposited timely.
Cause:	The Circuit Clerk failed to deposit fees received on the same day or next business day.
Effect:	Failure to timely deposit fees received could result in fraud and/or misappropriation of public funds.
Recommendation:	The Circuit Clerk should ensure that fees received are deposited on the same day or next business day.
Official Response:	I will work to make daily deposits to correct this issue.

Tax Collector-Assessor

2018-014	<u>The Tax Assessor/Collector Should Ensure Compliance with State Law over Bank Accounts.</u>
Repeat Finding:	No.
Criteria:	<i>Section 27-105-371, Mississippi Code Annotated (1972), states, "All county officials who receive funds under the authority of their office shall deposit such funds into a county depository."</i>
Condition:	The Panola County Tax Collector funds are held at a bank other than the county depository selected by the Board of Supervisors.
Cause:	The Tax Collector chose to open an account at a different depository.
Effect:	Holding bank accounts at a financial institution not selected as a county depository may result in the loss of public funds.
Recommendation:	The Tax Collector should change financial institutions to a depository selected by the Board of Supervisors or request that the financial institution they are using be added as a county depository during the next selection of county depositories.
Official Response:	Was never told of this.

Sheriff

2018-015 The Sheriff Should Ensure Compliance with State Law over Filing Meal Logs and Affidavits.

Repeat Finding: No.

Criteria: *Section 19-25-74, Mississippi Code Annotated (1972), states, "...in respect to the feeding of prisoners..., the Sheriff shall maintain a log, showing the name of each prisoner, the date and time of incarceration and release, to be posted daily, which shall record the number of meals served to prisoners at each mealtime, and the hours of the days served, and shall make affidavit to correctness thereof and file the same monthly with the Board of Supervisors."* In addition, the Board is not allowed to pay claims for food expenses if this report has not been filed.

Condition: During our test work, it was noted that both the inmate meal logs and an affidavit to the correctness thereof were not being filed monthly with the Board of Supervisors; additionally, the Board approved claims for food expenses without this report being filed.

Cause: The Sheriff did not file the meal logs or affidavit to correctness thereof, and the Board approved claims for food expenses without this report being filed.

Effect: Failure to submit meal logs to the Board of Supervisors for approval as spread upon the official board minutes and an affidavit to the correctness thereof could result in a loss or misappropriation of public funds by paying for an incorrect number of meals.

Recommendation: The Sheriff should ensure the meal log is maintained and filed monthly with the Board of Supervisors, and an affidavit to the correctness thereof before meal expenses are approved through the claims docket.

Official Response: An affidavit will be submitted monthly on all meals for the meal log.

2018-016 The Sheriff Should Strengthen Internal Controls over Credit Card Transactions.

Repeat Finding: No.

Criteria: Proper internal controls over credit card transactions should include review of expenditures and maintaining original and itemized receipts.

Condition: As a result of procedures performed, the following exceptions were noted:

- Twenty-two (22) instances where meal receipts were not itemized; and
- Twenty-four (24) instances where no original receipts were attached.

Cause: County employee did not follow proper internal controls.

Effect: Failure to implement adequate internal controls over credit card transactions could result in fraud or misappropriation of county funds.

Recommendation: The Sheriff should review monthly expenditures and maintain original and itemized meal receipts.

Official Response: All receipts will be itemized and the original receipts will be attached.

2018-017 The Sheriff Should Strengthen Internal Controls over Purchase of Evidence/Information Procedures.

Repeat Finding: No.

Criteria: Proper internal controls over purchases of evidence or information should include filling out the purchase of evidence/information vouchers accurately and completely.

Condition: As a result of procedures performed, six (6) instances were noted where a description of the information or evidence purchased was missing from the evidence/information voucher documents.

Cause: County employee did not follow proper internal controls.

Effect: Failure to fill out purchase of evidence/information vouchers accurately and completely could result in fraud or misappropriation of county funds.

Recommendation: County employees should fill out purchase of evidence/information vouchers accurately and completely.

Official Response: I will meet with the Commander of the task force and address the problem.

Election Commissioners

2018-018 Election Commissioners Should Ensure Compliance with State Laws over Claim Forms.

Repeat Finding: No.

Criteria: *Section 23-15-153(5), Mississippi Code Annotated (1972),* states, “The Election Commissioners shall be entitled to receive a per diem in the amount of One Hundred Dollars (\$100), to be paid from the county general fund, not to exceed fourteen (14) days for every day or period of no less than five (5) hours accumulated over two (2) or more days actually employed in the performance of their duties for the necessary time spent in the revision of the county voter roll as electronically maintained by the Statewide Elections Management System and in the conduct of a runoff election following either a general or special election.”

Section 23-15-153(10), Mississippi Code Annotated (1972), states, “Every Election Commissioner shall sign personally a certification setting forth the number of hours actually worked in the performance of the Commissioner’s official duties and for which the Commissioner seeks compensation. The certification must be on the form as prescribed in this subsection. The Commissioner’s signature is, as a matter of law, made under the Commissioner’s oath of office and under penalties of perjury...When properly completed and signed, the certification must be filed with the Clerk of the county Board of Supervisors before any payment may be made. The certification will be a public record available for inspection and reproduction immediately upon oral or written request of any person.”

Condition:	Based on test work performed, the following exceptions were noted: <ul style="list-style-type: none"> • Four (4) instances where no purpose of work was listed; • Forty-four (44) instances where no section codes were listed; • Thirty-four (34) instances where no beginning/ending time was listed; • Thirty-four (34) instances where no actual hours were listed; and • Twenty-five (25) instances where the Election Commissioners were overpaid, totaling \$2,154.
Cause:	Election Commissioners did not follow the state statute referenced above.
Effect:	Failure to properly prepare and submit claim forms could result in loss, misappropriation, fraud, and abuse of public funds.
Recommendation:	The Election Commissioners should correctly complete the claim forms on the forms prescribed in the statutes listed above and reimburse the County for overpayment of per diem amounts.
Official Response:	I will check with each commissioner and do a retraining and get back with you at a later date.

2018-019 Election Commissioners Should Ensure Compliance with State Law over Certificates of Completion of the Election Training Seminar.

Repeat Finding:	No.
Criteria:	<i>Section 23-15-211 (5), Mississippi Code Annotated (1972)</i> , states, “Each participant shall receive a certificate from the Secretary of State indicating that the named participant has received the elections training seminar instruction and satisfactorily completed the skills assessment provided for in <i>Section 23-15-213</i> . Election Commissioners shall annually file the certificate with the Chancery Clerk. If any Election Commissioner shall fail to file the certificate by April 30 of each year, his or her office shall be vacated, absent exigent circumstances as determined by the Board of Supervisors and consistent with the facts.
Condition:	As a result of procedures performed, it was noted that the fiscal year 2018 certificates of completion for four (4) Election Commissioners were not filed with the Chancery Clerk.
Cause:	Election Commissioners did not follow the state statutes referenced above.
Effect:	Failure to file certificates of completion by April 30 of each year is cause for the Election Commissioners’ offices to be vacated as determined by the Board of Supervisors.
Recommendation:	Election Commissioners should file certificates of completion by April 30 of each year.
Official Response:	I will check with each commissioner and locate the certificate and get back with you.

Constable Post 1, County Prosecuting Attorney, Coroner

2018-020 Elected Officials Should Ensure Compliance with State Laws over Filing Statements of Economic Interest.

Repeat Finding: No.

Criteria: *Section 25-4-25, Mississippi Code Annotated (1972), states, “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... (c) Persons who are candidates for public office or who are appointed to fill a vacancy in an office who if elected would be required to file under paragraph (a) of this section...”*

Section 25-4-29, Mississippi Code Annotated (1972), states, “(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) per day, not to exceed a total fine of One Thousand Dollars (\$1,000) 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...”

Condition: The Constable Post 1, County Prosecuting Attorney, and the Coroner failed to file a Statement of Economic Interest by May 1st as required by state law, and such statements remained unfiled as of April 1, 2019.

Cause: The Constable Post 1, County Prosecuting Attorney, and Coroner did not file the required Statement of Economic Interest with the Mississippi Ethics Commission.

Effect: 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 being assessed and a civil judgment being enrolled against the delinquent filer, as allowed by *Section 25-4-29 (2)*.

Recommendation: The Constable Post 1, County Prosecuting Attorney, and Coroner should file the Statement of Economic Interest no later than May 1st of each year that such official holds office, regardless of the duration.

Official Response: **Constable Post 1:** I was not aware of this requirement.

County Prosecuting Attorney: Error/oversight. Currently filed. Measures now in place to prevent nonfilings.

Coroner: I thought I had filed the Economic Statement for the 2018 year. I will fulfill this requirement ASAP.

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

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

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
Office of the State Auditor