

# PIKE COUNTY MISSISSIPPI

## COMPLIANCE REPORT

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Special Reports

For the year ended *September 30, 2018*

**SHAD WHITE**

**State Auditor**

**Stephanie C. Palmertree, CPA, CGMA**

Director, *Financial and Compliance Audit Division*

**Derrick Garner, CPA, CFE**

Director, *Compliance Audit Division*



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PIKE COUNTY

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## PIKE COUNTY

## SPECIAL REPORTS



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

November 25, 2019

**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  
Pike County, Mississippi

We have examined Pike 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 Pike 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 Pike 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 we found no instances of noncompliance with the aforementioned code sections.

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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)*.

Pike 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 Pike 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 written in a cursive, flowing style.

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

PIKE 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.



PIKE COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2018

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
2/16/2018	Labor & materials to replace drywall in Chancery Clerk's office and courtroom	\$ 2,200	Sheldon McDowell	Water damage to Chancery Court Annex caused by heater coil break
3/26/2018	Labor to prime drywall and paint damaged areas in Annex	\$ 8,000	Ronald McDowell	Water damage to Chancery Court Annex caused by heater coil break
4/4/2018	Labor & materials to replace flooring in Annex building	\$ 12,510	McComb Wholesale Carpet, LLC	Water damage to Chancery Court Annex caused by heater coil break
5/4/2018	10' x 48' patched rail tank car	\$ 15,000	Smith Diversified Railcar, Inc.	State Aid order to close bridges
5/15/2018	9'7"-9'9" x 55'-56' rail tank car	\$ 25,300	The Railroad Yard	State Aid order to close bridges

PIKE COUNTY

Schedule 3

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

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



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

November 25, 2019

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Pike 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:

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**Board of Supervisors.**

**Finding 1:** Board of Supervisors Should Ensure Compliance with State Law over Publishing Required Reports.

**Applicable State Law:** *Section 7-7-221(1), Mississippi Code Annotated (1972)*, requires publication of a synopsis of the annual audit of the fiscal and financial affairs of the County in a form prescribed by the State Auditor.

*Section 31-7-115, Mississippi Code Annotated (1972)*, requires publication of the report of the annual audit of the books, records, supporting documents and other data of the County Purchase Clerk and the Inventory Control Clerk.

**Finding Detail:** Neither the financial audit synopsis nor the purchasing audit report were published as required by state law. Due to the failure to publish the required notifications, the County's citizens were not notified of the completion of the reports.

**Recommendation:** We recommend that the Board of Supervisors implement procedures to ensure all audit reports are published in accordance with state law.

**Official Response:** Corrective measures have been taken.

**Repeat Finding:** No.

**Auditor Note:** The audit reports were published within four (4) days of the County becoming aware of the requirement.

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**Finding 2:** Board of Supervisors Should Ensure Compliance with State Law over Quarterly Appropriations.

**Applicable State Law:** *Section 19-25-13, Mississippi Code Annotated (1972)*, requires the Board of Supervisors, at its first meeting of each quarter beginning on October 1, January 1, April 1 and July 1, to appropriate a lump sum for the Sheriff for the expenses of his office during the current quarter.

*Section 27-1-9(c)* requires the same appropriations for the Tax Assessor and the Tax Collector.

**Finding Detail:** Quarterly appropriations for the Sheriff, Tax Assessor and Tax Collector were not recorded in the minutes of the Board of Supervisors' meetings. Failure to make the required appropriations placed the County in violation of the applicable state laws.

**Recommendation:** We recommend that the Board of Supervisors implement procedures to ensure the required appropriations are made and are spread across the official board minutes.

**Official Response:** Necessary measures will be taken to ensure compliance with *Sections 19-25-13 and 27-1-9(c)*.

**Repeat Finding:** No.

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**Finding 3:** The Board of Supervisors Should Ensure Compliance with State and Federal Laws over Filing Information Returns.

**Applicable State Law:** *Internal Revenue Code Section 6041A, subsections (a) and (d) and Section 27-7-39(1), Mississippi Code Annotated (1972)*, state that if a governmental entity (1) pays remuneration to any person for services performed by that person; and (2) the aggregate paid to such person during a calendar year is \$600 or more, then the governmental entity shall make a return (Form 1099) setting forth the aggregate amount of such payments and the name and address of the recipient of such payments.

**Finding Detail:** During our test work, we noted that information returns were not issued for twenty-four (24) vendors who were paid a total of \$187,045 in 2018. Failure to submit the required state and federal information returns could result in the assessment of fines and penalties by the Department of Revenue and Internal Revenue Service.

**Recommendation:** We recommend the Board of Supervisors implement procedures to ensure information returns are filed as required by state and federal laws.

**Official Response:** 1099s were issued based on completed W-9 forms. Steps are in place to confirm the status of current vendors and any new vendors.

**Repeat Finding:** No.

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**Chancery Clerk.**

**Finding 4:** The Chancery Clerk Should Ensure Compliance with State Law over County Depository.

**Applicable State Law:** *Section 27-105-371, Mississippi Code Annotated (1972)*, requires all county officials who receive funds under the authority of their office to deposit such funds into a county depository.

**Finding Detail:** As of September 30, 2018, the Chancery Clerk had \$663,306 on deposit with a bank other than the county depository. Failure to have all funds deposited in an approved county depository could have resulted in the loss of county funds.

**Recommendation:** We recommend that the Chancery Clerk implement procedures to ensure all funds are deposited in the county depository.

**Official Response:** All office bank accounts will be moved to the county depository in January 2020 per auditor's instructions.

**Repeat Finding:** No.

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**Finding 5:** The Chancery Clerk Should Ensure Compliance with State Law over Fee Journals.

**Applicable State Law:** *Section 9-1-43, Mississippi Code Annotated (1972)*:

- a) requires the Chancery Clerk to maintain a fee journal to account for the receipts and expenses related to the operation of the office; and
- b) limits expenses allowed to be deducted from the Clerk's fee income to expenses allowed as deductions by Schedule C of the Internal Revenue Code. Schedule C allows deduction of only fifty percent (50%) of meal expenses.

**Finding Detail:** The following noncompliance was noted within the Chancery Clerk's fee journal:

- The fee journal was not maintained in the prescribed format. Revenues and expenses were recorded in separate journals and;
- Unallowable expenses in the amount of \$268, which represents fifty percent (50%) of meal expenses, were claimed as a deduction of the Clerk's annual financial report.

Failure to record and report only allowable expenses on the Annual Financial Report resulted in the Chancery Clerk owing an additional \$268 in excess fees to the County Treasury.

**Recommendation:** We recommend that the Chancery Clerk implement procedures to ensure that the fee journal is maintained in compliance with statutory requirements and that only allowable expenses are recorded and reported on the Annual Financial Report. The Clerk should also amend the 2018 Annual Financial Report and settle additional excess fees in the amount of \$268 to the county treasury.

**Official Response:**

- a) As of July 1, 2018, the Clerk's fee journal is maintained in QuickBooks, which will comply with this finding from July 2018 forward.
- b) 2018 Annual Financial Report was amended and mailed to the Office of the State Auditor and PERS on July 22, 2019. Also on that date, I delivered my personal check in the amount of \$268 to Pike County to satisfy this finding.

**Auditor Note:** As of July 29, 2019, the Chancery Clerk has filed an amended Annual Financial Report and settled the additional \$268 to the County Treasury.

**Repeat Finding:** No.

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**Finding 6:** The Chancery Clerk Should Ensure Compliance with State Law over Submission of Monthly Land Redemption Report to the Board of Supervisors.

**Applicable State Law:** *Section 27-45-1, Mississippi Code Annotated (1972)*, requires the Chancery Clerk to submit a complete report of monthly land redemption settlements to the Board of Supervisors.

**Finding Detail:** The required monthly reports were not submitted to the Board of Supervisors. Failure to file the Land Redemption reports with the Board of Supervisors placed the Clerk in violation of state law.

**Recommendation:** We recommend that the Chancery Clerk implement procedures to ensure monthly reports of land redemptions are submitted to the Board of Supervisors.

**Official Response:** Finding noted. Monthly land redemption reports will be submitted to the Board of Supervisors beginning with the July 2019 report.

**Repeat Finding:** No.

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**Circuit Clerk.**

**Finding 7:** The Circuit Clerk Should Ensure Compliance with State Law over County Depository.

**Applicable State Law:** *Section 27-105-371, Mississippi Code Annotated (1972)*, requires all county officials who receive funds under the authority of their office to deposit such funds into a county depository.

**Finding Detail:** As of September 30, 2018, the Circuit Clerk had funds in the amount of \$701,015 on deposit with a bank other than the county depository. Failure to have funds in an approved county depository could have resulted in the loss of county funds.

**Recommendation:** We recommend that the Circuit Clerk implement procedures to ensure all funds are deposited in the county depository.

**Official Response:** The Board of Supervisors will advertise for bids in January 2020. I will make corrections at that time.

**Repeat Finding:** No.

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**Finding 8:** The Circuit Clerk Should Ensure Compliance with State Law over Fee Journals.

**Applicable State Law:** *Section 9-1-43, Mississippi Code Annotated (1972):*

- a) Requires the Circuit Clerk to maintain a fee journal to account for the receipts and expenses related to the operation of the office; and
- b) Allows only expenses allowed as deductions by Schedule C of the Internal Revenue Code to be deducted from the Clerk's fee income. Schedule C limits deductions for meals to fifty percent (50%) of the actual expenses.

**Finding Detail:** The following non-compliance was noted:

- The fee journal was not maintained in the prescribed format. Revenues and expenses were recorded in separate journals.
- Errors in the total amount of \$2,176 were noted in the posting of the Clerk's county payroll checks to the fee journal.
- Expenses in the amount of \$378 were disallowed as follows:
  - Meals for which the deduction is limited to fifty percent (50%) of meals per Schedule C of the Internal Revenue Code - \$228.
  - Advertisements in limited-distribution publications - \$150.

Due to the failure to accurately maintain the fee journal and to record and report only allowable expenses, the Clerk owed additional excess fees in the amount of \$2,504 to the County treasury.

**Recommendation:** We recommend that the Circuit Clerk implement procedures to ensure that the fee journal is accurate and in compliance with statutory requirements, and that only allowable expenses are recorded and reported in the Annual Financial Report. The Clerk should also amend his 2018 Annual Financial Report and settle additional excess fees in the amount of \$2,504 to the county treasury.

**Official Response:** I will implement the auditor's prescribed fee journal. I will move from the revenue source where it was posted in error and post correctly and will update the Annual Financial Report.

**Auditor Note:** As of November 14, 2019, the Circuit Clerk has filed an amended Annual Financial Report and settled the additional \$2,504 to the County Treasury.

**Repeat Finding:** No.

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**Justice Court Clerk.**

**Finding 9:** The Justice Court Clerk Should Strengthen Controls to Ensure Adequate Segregation of Duties in the Collection, Recording and Disbursement of Cash.

**Internal Control Deficiency:** An effective system of internal controls should include adequate segregation of duties.

**Finding Detail:** The Justice Court Clerk receipted cash, prepared deposit slips, took deposits to the bank, maintained the cash journal, and was the sole authorized signer of settlement checks.

The lack of an adequate segregation of duties could have resulted in the loss of public funds.

**Recommendation:** We recommend that the Justice Court Clerk implement procedures to ensure that there is adequate segregation of duties in the collection, recording and disbursement of cash in the office.

**Official Response:** To segregate my duties, I am giving of one the Deputy Clerks the responsibility of balancing daily and a Deputy Sheriff will take the deposit to the bank.

**Repeat Finding:** No.

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**Finding 10:** The Justice Court Clerk Should Ensure Compliance with State Law over Submission of Collections and Delinquencies Reports to the Board of Supervisors.

**Applicable State Law:** *Section 9-11-19(1), Mississippi Code Annotated (1972)*, requires the Justice Court Clerk to submit to the Clerk of the Board of Supervisors a monthly report of all fees, costs, fines and penalties collected in the previous month; and, at least semiannually, a report of any delinquent fines and penalties.

**Finding Detail:** The Justice Court Clerk did not submit the required reports to the Clerk of the Board. Failure to submit the required reports placed the Justice Court Clerk in violation of state law.

**Recommendation:** We recommend that the Justice Court Clerk implement control procedures to ensure the reports of collections and delinquencies are submitted as required by law.

**Official Response:** I have gotten a list of all monthly reports to give to the Board of Supervisors and will turn them over from now on.

**Repeat Finding:** No.

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#### **Sheriff.**

**Finding 11:** The Sheriff Should Ensure Compliance with State Law over Funds Received.

**Applicable State Law:** According to *Section 27-105-371, Mississippi Code Annotated (1972)*: All county officials who receive funds under the authority of their office are required to deposit such funds into a county depository. Any unidentifiable funds are to be settled into the county's general fund.

**Finding Detail:** As of September 30, 2018: The Sheriff had funds in the amount of \$99,349 on deposit with a bank other than the county depository. Included in that amount were funds in the amount of \$58,730 for which the source could not be determined. Failure to deposit funds into an approved county depository and the failure to settle unidentified funds to the county's general fund could have resulted in the loss of public funds.

**Recommendation:** We recommend that all Sheriff's Office funds should be moved to the county depository; and all unidentified funds should be settled to the county's general fund immediately.

**Official Response:** Sheriff's Office personnel responded as follows:

- I was informed through the Chancery Clerk's Office that a second depository was allowed. The Sheriff's Office, the Circuit Clerk's Office and the Chancery Clerk's Office chose to remain with our current bank. However, it is the Sheriff's Office's intention to close our account with First Bank and open a new account with Trustmark, which is the county's depository.
- This amount was inherited when we came into the office in January 2016. We report the balance at the end of the fiscal year on the annual depository statement. I have no idea how it was accumulated before our administration. When we took office, it took the County administration almost a month before they turned over the checkbook to us. When I told them I was starting a new account to deposit the cash that I had received, it was then that they gave it to me, stating it



had been misplaced. Afterwards, I received credentials to allow me to be an authorized signature on the account and remove the old signatures.

The ledgers that you see now are the ones that I created to account for the money more accurately. This is so you will be able to see the amount of funds received, and also the source of the revenue.

**Repeat Finding:** No.

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**Finding 12:** The Sheriff Should Ensure Compliance with State Law over Meal Logs Being Presented to the Board of Supervisors.

**Applicable State Law:** *Section 19-25-74, Mississippi Code Annotated (1972)*, requires the Sheriff to maintain a log that records the number of meals served to prisoners at each mealtime and the hours of the day served, and to make affidavit as to the correctness thereof and file the same with the Board of Supervisors on a monthly basis.

**Finding Detail:** Submission of the monthly meal logs was not documented in the Board of Supervisors' minutes. Failure to file the meal logs as required places the Sheriff in violation of state law.

**Recommendation:** We recommend that the Sheriff should ensure the monthly meal logs are filed and are spread across the minutes of the Board of Supervisors.

**Official Response:** We are still in the process of determining why the submission of the monthly log meals served to prisoners was not documented in the minutes.

**Repeat Finding:** No.

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#### **Board of Supervisors, Circuit Clerk, Tax Collector.**

**Finding 13:** County Officers and Employees Should Ensure Compliance with State Law over Bonding Requirements.

**Applicable State Law:** *Section 25-1-15, Mississippi Code Annotated (1972)*, requires public officers and employees to obtain a new bond in the amount required at the beginning of each new term of office or at least every four (4) years concurrent with the County's normal election cycle.

**Finding Detail:** A Continuation Certificate is a document that extends the life of the original surety bond and covers only the current period rather than both the current and previous periods. The bonds of the following county officials and employees were either renewed with a Continuation Certificate or issued for an indefinite period of time:

- Three (3) of five (5) members of the Board of Supervisors;
- The County Administrator;
- The Inventory Control Clerk;
- One (1) of three (3) Constables;
- The Circuit Clerk;
- Three (3) of nine (9) Deputy Tax Collectors; and
- One (1) of three (3) Justice Court Judges.

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 that all officers and employees are bonded in accordance with state law.

**Official Responses:**

**Board of Supervisors:** Bonding companies have been contacted and requested not to send continuation certificates in the future. The County Administrator will ensure that all bonds are an official bond with specified terms.

**Circuit Clerk:** I am currently getting a Clerk's bond in place.

**Tax Collector:** The ending dates for the Deputies in question were entered as "indefinite" in error. The bond of each clerk was renewed the following year (see attached documents).

**Auditor Note:** The Tax Collector provided evidence that the Deputies' bonds for the subsequent period were issued for a definite period of time beginning January 1, 2019, and ending January 1, 2020.

**Repeat Finding:** No.

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Pike 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,



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