

WALTHALL COUNTY MISSISSIPPI

COMPLIANCE REPORT

Compliance Special Reports
For the year ended *September 30, 2020*

SHAD WHITE, CFE
State Auditor

Stephanie C. Palmertree, CPA, CFE, CGMA
Deputy State Auditor
Joe E. McKnight, CPA
Director, *County Audit Division*



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WALTHALL COUNTY

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WALTHAM 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
Walthall County, Mississippi

We have examined Walthall 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, 2020. The Board of Supervisors of Walthall 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 Walthall 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 and Purchase Clerk.

Finding 1: Public Officials Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *Section 31-7-124, Mississippi Code Annotated (1972)*, requires the Purchase Clerk to execute a bond in a penalty not less than **\$75,000** to be payable, conditioned, and approved, as provided by law.

Finding Detail: During the review of the County, the auditor noted that the Purchase Clerk was only bonded for **\$50,000**, instead of the required **\$75,000**.

Failure to be correctly and sufficiently bonded could result in the loss of public fund, and resulted in noncompliance with state law.

Recommendation: We recommend Walthall County ensure compliance by assuring that all public officials and employees required to give individual bond are correctly and sufficiently bonded, as required by state law.

Official Response: These bonds have been requested by the insurance company.

Repeat Finding: No

Board of Supervisors and Receiving Clerk.

Finding 2: Public Officials Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *Section 31-7-124, Mississippi Code Annotated (1972)*, requires the Receiving Clerk to execute a bond in a penalty not less than **\$75,000** to be payable, conditioned, and approved, as provided by law.

Finding Detail: During the review of the County, the auditor noted that the Receiving Clerk was bonded for only **\$50,000**, instead of the required **\$75,000**, and was not bonded for the full fiscal year.

Failure to be correctly and sufficiently bonded could result in the loss of public fund, and resulted in noncompliance with state law.

Recommendation: We recommend Walthall County ensure compliance by assuring that all public officials and employees required to give individual bond are correctly and sufficiently bonded, as required by state law.

Official Response: These bonds have been requested by the insurance company.

Repeat Finding: No

Board of Supervisors and Receiving Clerk.

Finding 3: Public Officials Should Ensure Compliance with State Law over Receiving Reports.

Applicable State Law: *Section 31-7-101, Mississippi Code Annotated (1972)*, states that the Receiving Clerk and his assistants shall be solely responsible for the delivery of all equipment, heavy equipment, machinery, supplies, commodities, materials and services purchased by the County.

Finding Detail: During the review of the County, the auditor noted that receiving reports were signed by an employee other than the Receiving Clerk or Assistant Receiving Clerk for three of the 25 transactions tested.

Failure to ensure that receiving reports on purchases received by the County are signed by either the Receiving Clerk or an Assistant Receiving Clerk could result in the loss of public funds, and resulted in noncompliance with state law.

Recommendation: We recommend Walthall County ensure compliance by assuring all receiving reports are signed by the Receiving Clerk or an Assistant Receiving Clerk, as required by state law.

Official Response: We will comply.

Repeat Finding: No

Purchase Clerk.

Finding 4: Public Officials Should Ensure Compliance with State Law over Bidding Procedures.

Applicable State Law: *Section 31-7-13, Mississippi Code Annotated (1972)*, states that purchases which involve an expenditure of more than **\$5,000** but not more than **\$50,000**, may be made without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained.

Finding Detail: During the review of the County, the auditor noted that two out of the 25 transactions tested did not have two competitive written bids.

Failure to obtain two competitive written bids or quotes when required could result in the County paying more than necessary, and resulted in noncompliance with state law.

Recommendation: We recommend Walthall County ensure compliance by assuring that two competitive written bids are obtained and documented for all purchases over **\$5,000** but not more than **\$50,000**, as required by state law.

Official Response: I believe these transactions happened right after I was hired. I know the rules and procedures a lot more now. I will try to get as many quotes as possible for purchases over **\$5,000**.

Repeat Finding: No

Finding 5: Public Officials Should Ensure Compliance with State Law over Purchasing Documents.

Applicable State Law: *Section 31-7-103, Mississippi Code Annotated (1972)*, requires a requisition, purchase order and receiving report for all purchases except for those items enumerated by the Office of the State Auditor under the authority of *Section 31-7-113, Mississippi Code Annotated (1972)*, and except for purchases of not more than **\$1,500**.

Finding Detail: During the review of the County, the auditor noted that one out of the 25 expenditures tested was paid without the required purchasing documents.

Failure to ensure the required purchasing documents are completed could result in unauthorized purchases and the misappropriation of public funds, and resulted in noncompliance with state law.

Recommendation: We recommend Walthall County ensure compliance by assuring all required purchasing documents are present and complete for all applicable purchases, as required by state law.

Official Response: I will personally look over all paperwork and ensure that everything is correct, and that we have all the information/documents needed before any purchases are made.

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)*.

Walthall 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 Walthall 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,

JOE E. MCKNIGHT, CPA
Director, County Audit Section
Office of the State Auditor

WALTHALL COUNTY

Schedule 1Schedule of Purchases Not Made from the Lowest Bidder
For the Year Ended September 30, 2020

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
5/4/2020	Kenworth 2020 tandem axle dump truck	\$ 152,900	Truckworx	\$ 139,000	Accepted bid included a buy-back option
7/6/2020	2020 T370 single axle garbage truck	151,254	Sanson Equipment Company	141,000	Accepted bid included warranties and a buy-back option

WALTHAM COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2020

Schedule 2

Our tests did not identify any emergency purchases.

WALTHALL COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2020

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



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
Shad White
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Walthall 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 2020 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.

Finding 1: Public Officials Should Ensure Compliance with State Law over Credit Card Use.

Applicable State Law: *Section 19-3-68, Mississippi Code Annotated (1972)*, states, "The board of supervisors of any county may acquire one or more credit cards which may be used by members of the board of supervisors and county employees to pay expenses incurred by them when traveling or out of the 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 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."

Finding Detail: During the review of the County, the auditor noted five purchases were made with a credit card for unallowable expenses. It was also noted that itemized reports were not presented to the Board of Supervisors for approval.

Improper use of the County's credit card could result in fraud, loss or misappropriation of public funds, and resulted in noncompliance with state law.

Recommendation: We recommend Walthall County ensure compliance by assuring credit cards are only used for allowable expenditures and an itemized list of expenses are submitted to the Board of Supervisors monthly, as required by state law.

Official Response: The purchases were made during Covid-19 because they were only available online and a credit card was required for purchase. Since then we have set more strict guidelines regarding usage of the credit card. If it is used, an itemized report will be presented to the Board of Supervisors.

Repeat Finding: No

Board of Supervisors.

Finding 2: Public Officials Should Ensure Compliance with State Law over Supplemental Pay.

Applicable State Law: *Section 25-3-25(10), Mississippi Code Annotated (1972)*, states, "The Board of Supervisors of any county, in its discretion, may pay an annual supplement to the sheriff of the county in an amount not to exceed Ten Thousand Dollars (\$10,000). The amount of the supplement shall be spread on the minutes of the board."

Finding Detail: During the review of the County, the auditor noted that the Sheriff was paid **\$1,250** as part of the optional supplement available to the Sheriff. However, approval for the additional supplement was not spread upon the minutes of the Board of Supervisors.

Failure to approve and spread upon the minutes supplemental payments could result in the loss or misappropriation of public funds, and resulted in noncompliance with state law.

Recommendation: We recommend Walthall County ensure compliance by assuring that supplements are approved by the Board of Supervisors and spread upon the Board's minutes, as required by state law.

Official Response: This was discussed and added during the budget process. The approved wages for the Sheriff were added to the approved budget and paid out accordingly. In addition to the approved budget, we will spread it on the minutes.

Repeat Finding: No

Board of Supervisors.

Finding 3: Public Officials Should Strengthen Internal Controls over Tax Levies.

Internal Control Deficiency: An effective system of internal control over the tax levy should ensure that the Mississippi Code citations are correct.

Finding Detail: During the review of the County, the auditor noted the tax levy approved for fiscal year 2019-2020 included the citation for *Section 37-51-1, Mississippi Code Annotated (1972)*, as authorization for the purpose of levying taxes for Countywide School Maintenance. This code section does not give the County any authority to levy taxes. The correct levy citation for Countywide School Maintenance is *Section 37-59-101, Mississippi Code Annotated (1972)*.

Failure to cite the appropriate levy could result in the loss or misappropriation of public funds.

Recommendation: We recommend Walthall County strengthen internal controls by implementing adequate procedures to

ensure the correct descriptions, purposes, and code sections are approved in the tax levy and that all levies are specifically authorized by state statute.

Official Response: The issue was corrected in fiscal year 2022.

Repeat Finding: No

Circuit Clerk.

Finding 4: Public Officials Should Ensure Compliance with State Law over Fee Journals.

Applicable State Law: *Section 9-1-43, Mississippi Code Annotated (1972)*, requires the Circuit Clerk to maintain a fee journal to account for the receipts and expenses related to the operation of the office and 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.

Finding Detail: During the review of the County, the auditor noted the following exceptions with the Circuit Clerk's fee journals:

- Two receipts out of the 15 tested were not deposited in a timely manner;
- The bank statements were not reconciled in a timely manner; and
- Errors in the Circuit Clerk's fee journal caused an understatement of the excess of salary cap amount for 2020.

Failure to deposit receipts timely, reconcile bank statements timely, and to correctly post transactions to the fee journal could result in a loss or misappropriation of public funds. Also, it resulted in noncompliance with state law.

Recommendation: We recommend Walthall County ensure compliance by assuring that daily deposits are being made, the fee journal is complete and accurate, and that the bank statements are reconciled monthly, as required by state law.

Official Response: We will implement the proper controls to cure these deficiencies regarding the fee journal. We will also begin making timely deposits to our banking accounts. We have reconciled our bank statements to comply with the deficiencies noted.

Repeat Finding: No

Board of Supervisors.

Finding 5: Public Officials Should Ensure Compliance with State Law over Annual Financial Reports.

Applicable State Law: *Section 9-1-43(1), Mississippi Code Annotated (1972)*, limits the compensation of the Circuit Clerk to \$94,500 after making deductions for employees' salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be deposited by the Circuit Clerk into the County's General Fund on or before April 15th for the preceding calendar year. Additionally, *Section 9-1-45, Mississippi Code Annotated (1972)*, states a Circuit Clerk shall file, not later than April 15 of each year, with the State Auditor of Public Accounts immediately after January 1 of each year. The form shall include the following information: (a) revenues subject to the salary cap, including fees; (b) revenues not subject to the salary cap; and (c) expenses of office, including any salary paid to a clerk's spouse or children. Each Circuit Clerk shall provide any additional information requested by the Public Employees' Retirement System for the purpose of retirement calculations.

Finding Detail: During the review of the County, the auditor noted the following exceptions within the Circuit Clerk's Office:

- The Circuit Clerk did not file the 2020 Annual Financial Report until April 19, 2021. Additionally, the report for calendar year 2019 was filed September 11, 2020 and the report for calendar year 2018 was filed May 3, 2019.
- The Circuit Clerk exceeded the salary cap amount in each of the calendar years 2018, 2019, and 2020 and did not settle the amount in excess of the salary cap to the County for any of those years. The amount due for calendar years 2018, 2019 and 2020 were **\$1,333**, **\$2,968** and **\$8,008**, respectively.

Failure to submit an Annual Financial Report to the Office of the State Auditor and the Public Employees' Retirement System (PERS) of Mississippi, and to settle the excess of the salary cap amount to the County's General Fund could result in the loss or misappropriation of public funds. Also, this resulted in noncompliance with state law.

Recommendation: We recommend Walthall County ensure compliance by assuring that all excess of the salary cap is settled in a timely manner to the County's General Fund. Also, the County should ensure that Annual Financial Reports are submitted by April 15 for the preceding year, as required by state law.

Official Response: The excess of salary cap was issued to the Walthall County Board of Supervisors on October 29, 2021. These payments will bring me into compliance. I will be diligent in the future to ensure that I will be in full compliance of these code sections.

Auditor's Note: The Circuit Clerk repaid \$12,309 to the County's General Fund on November 1, 2021, as evidenced by receipt warrant number 17504.

Repeat Finding: No

Chancery Clerk.

Finding 6: Public Officials Should Strengthen Internal Controls over Bank Reconciliations and Adequate Supporting Documentation.

Internal Control Deficiency: An effective system of internal control over cash receipts, cash disbursements and accounting for cash transactions should include the reconciliation of bank statements to those cash journals.

Finding Detail: During the review of the County, the auditor noted the following exceptions with the Chancery Clerk's bank reconciliations:

- Reconciling items were not adequately identified as to source or reason;
- Supporting documentation was not included for reconciling items;
- Overages and shortages were not investigated as to cause; and
- Adjusting entries were made without approval for overages and shortages.

Failure to have adequate internal could result in the loss or misappropriation of public funds.

Recommendation: We recommend Walthall County strengthen internal controls by implementing adequate procures to ensure bank statements are properly reconciled to the cash journal. Also, reconciling items should be adequately identified, documented and investigated prior to recording any necessary adjusting entries.

Official Response: We are requesting outside help from the Comptroller; she will reconcile monthly.

Repeat Finding: No

Sheriff.

Finding 7: Public Officials Should Strengthen Internal Controls over Segregation of Duties Surrounding Cash.

Internal Control Deficiency: *The Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread-way Commission* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. An effective system of internal controls should include adequate segregation of duties. A well-designed system of internal controls should include segregating job duties to the greatest extent possible.

Finding Detail: During the review of the County, the auditor noted the same individual within the Sheriff's Office performs the following duties:

- Receipts cash;
- Prepares bank deposits and takes prepared deposits to the bank;
- Posts receipts to the cash journal;
- Prepares the monthly bank statement reconciliation; and
- Prepares the monthly settlement of fees to the County.

Failure to have adequate controls over the collecting, recording and disbursing of cash could result in the loss or misappropriation of public funds.

Recommendation: We recommend Walthall County strengthen internal controls by implementing effective and proper segregation of duties surrounding the collecting, recording and disbursing of cash.

Official Response: We will, to the best of our ability, comply by using the department dispatchers and Tax Assessor-Collector's office to receive monies and other accounting responsibilities.

Repeat Finding: No

Board of Supervisors and Tax Assessor-Collector.

Finding 8: Public Officials Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *Section 27-1-9(a), Mississippi Code Annotated (1972)*, states, "Each deputy tax collector shall give bond to be payable, conditioned and approved as provided by law in an amount not less than Fifty Thousand Dollars (50,000.00) for the faithful discharge of his duties."

Finding Detail: During the review of the County, the auditor noted four Deputy Tax Collectors were not bonded for the entire fiscal year. We also noted that one Deputy Tax Collector had no bond for fiscal year 2020.

Failure to be correctly and sufficiently bonded could result in the loss of public funds, and resulted in noncompliance with state law.

Recommendation: We recommend Walthall County ensure compliance by assuring that all public officials and employees required to give individual bond are correctly and sufficiently bonded, as required by state law.

Official Response: These bonds have been requested by the insurance company.

Repeat Finding: No

Walthall 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 black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section
Office of the State Auditor

WALTHALL COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2020
UNAUDITED

Name	Position	Company	Bond
Robert L. Montgomery	Supervisor District 1	Western Surety Company	\$100,000
John Craft	Supervisor District 2	Western Surety Company	\$100,000
Doug Popwell	Supervisor District 3	Western Surety Company	\$100,000
Bruce M. Boyd	Supervisor District 4	Western Surety Company	\$100,000
Clifton Louis Carr	Supervisor District 5	Western Surety Company	\$100,000
Shannon Fortinberry	Chancery Clerk	Western Surety Company	\$100,000
Hannah Bourgeois	Purchase Clerk	Western Surety Company	\$50,000
Julie Ginn	Receiving Clerk	Western Surety Company	\$50,000
Sherman Lavelle Smith	Assistant Receiving Clerk	Western Surety Company	\$50,000
David Howard Johnson	Assistant Receiving Clerk	Western Surety Company	\$50,000
Daniel Thornton, Jr.	Assistant Receiving Clerk	Western Surety Company	\$50,000
Troy Earl Thomas	Assistant Receiving Clerk	Western Surety Company	\$50,000
Henry Earl Warren	Assistant Receiving Clerk	Western Surety Company	\$50,000
Jackie Glen Hartley	Assistant Receiving Clerk	Western Surety Company	\$50,000
Milton Ray Dunaway	Inventory Control Clerk	Western Surety Company	\$75,000
Raymond Gutter	Constable	Western Surety Company	\$50,000
Roy Hunn	Constable	Western Surety Company	\$50,000
Vernon Alford	Circuit Clerk	Western Surety Company	\$100,000
Vanessa Walker	Deputy Circuit Clerk	Western Surety Company	\$50,000
Kamie Bacot	Deputy Circuit Clerk	Western Surety Company	\$50,000
Kyle Breland	Sheriff	Western Surety Company	\$100,000
David Bruhl	Justice Court Judge	Western Surety Company	\$50,000
Carl Montgomery Jr.	Justice Court Judge	Western Surety Company	\$50,000
LaShanda Magee	Justice Court Clerk	Western Surety Company	\$50,000
Cherie Provost	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Cindy Davis	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Angele Tullos	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Jessica Jones	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Joey Smith	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Peggy Hilburn	Tax Assessor-Collector	Western Surety Company	\$100,000
Amy Hill	Deputy Tax Collector	Western Surety Company	\$50,000
Kelli Boyd	Deputy Tax Collector	Western Surety Company	\$50,000
Angela Craft	Deputy Tax Collector	Western Surety Company	\$50,000
Carla Johnson	Deputy Tax Collector	Western Surety Company	\$50,000
Abby Kennedy	Deputy Tax Collector	Western Surety Company	\$50,000
Kandi Rae Crain	Deputy Tax Collector	Western Surety Company	\$50,000
Nedra Mazarac	Deputy Tax Collector	Western Surety Company	\$50,000