



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

January 5, 2007

### LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Calhoun County, Mississippi

In planning and performing our audit of the financial statements of Calhoun County, Mississippi for the year ended September 30, 2004, we considered Calhoun County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control. Our opinions on the financial statements have been previously submitted to you in a separately issued document dated May 5, 2006.

In addition, for areas not considered material to Calhoun County, Mississippi's financial reporting, 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. The fieldwork for these review procedures and tests was completed on May 23, 2006. Our procedures and tests 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. This report does not affect our report dated May 5, 2006, on the financial statements of Calhoun County, Mississippi.

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. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors.

1. Finding

The county has interfund loans outstanding that are over one year old. These loans are for indirect administrative costs owed to the General Fund by the Garbage and Solid Waste Fund. The Mississippi Code is silent regarding the authority of the county to make these loans.

Recommendation

For any interfund loan made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of the funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the board minutes a repayment schedule and then complying with the repayment schedule.

Board of Supervisors' Response

The above finding is indirect cost incurred by General County from Solid Waste. We will, by journal entry, transfer from the Solid Waste Fund \$33,288.06 to General County for indirect cost associated with Solid Waste. We will each year in the future settle the indirect cost in a timely manner.

2. Finding

Section 27-39-329(2)b, Miss. Code Ann. (1972), requires the Board of Supervisors to levy each year an ad valorem tax of one (1) mill to be used for any purpose allowed by law, but the avails of such levy shall not be expended until certification by the State Tax Commission. As reported in the prior three years' audit reports, the levy proceeds were expended prior to receipt of the State Tax Commission's certification.

Recommendation

The Board of Supervisors should comply with the certification requirements of this section before expenditures are made.

Board of Supervisors' Response

We will make sure that the one mill is held in escrow until the State Tax Commission gives the county approval.

Purchase Clerk.

3. Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Purchase Clerk to execute a bond for \$75,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), 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 years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Purchase Clerk was bonded for an indefinite time period. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Purchase Clerk should ensure that the bond has a definite beginning and ending date, running concurrent with the term of the Board of Supervisors.

#### Purchase Clerk's Response

I am taking corrective action with the insurance company to take care of this matter.

Inventory Control Clerk.

#### 4. Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Inventory Control Clerk to execute a bond for \$75,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), 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 years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Inventory Control Clerk was bonded for an indefinite time period. This would limit the amount available for recovery if a loss occurred over multiple terms.

#### Recommendation

The Inventory Control Clerk should ensure that the bond has a definite beginning and ending date, running concurrent with the term of the Board of Supervisors.

#### Inventory Control Clerk's Response

I am taking corrective action with the insurance company to take care of this matter.

Tax Assessor-Collector.

#### 5. Finding

Section 27-49-1, Miss. Code Ann. (1972), requires the Tax Assessor-Collector to present the Board of Supervisors at its meeting on the first Monday of October in each year, a report of all insolvent and delinquent taxpayers in the county, with the amount due from each. The Tax Assessor-Collector did not present the required report to the Board of Supervisors. If proper procedures are not followed, the Tax Assessor-Collector may be held financially responsible for the loss of tax revenue.

#### Recommendation

The Tax Assessor-Collector should present to the Board of Supervisors the report of insolvent and delinquent taxpayers as required.

#### Tax Assessor-Collector's Response

I will comply with recommendation.

#### 6. Finding

Section 27-35-143 through 27-35-149, Miss. Code Ann. (1972), prescribe the procedures to be followed for making changes in assessments. The Tax Assessor-Collector made changes in assessments without prior approval from the Board of Supervisors. Failure to follow proper procedures increases the potential for changes in assessments to be made for improper reasons. If proper procedures are not followed, the Tax Assessor-Collector may be held financially responsible for the loss of tax revenue.

#### Recommendation

The Tax Assessor-Collector should comply with the approval provisions of the law before making

assessment changes.

Tax Assessor-Collector's Response

I will comply with above recommendation.

7. Finding

Section 19-5-22, Miss. Code Ann. (1972), provides that the Board of Supervisors may notify the Tax Assessor-Collector of any unpaid fees assessed under Section 19-5-21 within ninety days after they become due. Upon receipt of a delinquency notice, the Tax Assessor-Collector shall not issue or renew a motor vehicle road and bridge privilege license for any motor vehicle owned by a person who is delinquent in the payment of the fees until these fees in addition to any other taxes or fees assessed against the motor vehicle are paid. Our test work revealed that tags were not flagged in the state system, therefore, anyone with a delinquent garbage bill who moved out of the county can purchase a tag, without paying the bill in full.

Recommendation

The Tax Assessor-Collector should flag the car tags of any account that is delinquent, and not issue or renew a motor vehicle road and bridge privilege license to anyone who has an outstanding delinquency pursuant to orders issued by the Board of Supervisors.

Tax Assessor-Collector's Response

I have complied with above recommendation.

Receiving Clerk.

8. Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Receiving Clerk to execute a bond for \$75,000 and each Assistant Receiving Clerk to execute a bond for \$10,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), 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 years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Receiving Clerk and several Assistant Receiving Clerks had bonds that either expired or were for an indefinite time period. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Receiving Clerk and Assistant Receiving Clerks should ensure that their bonds are current and for a definite period, running consistent with the term of the Board of Supervisors.

Receiving Clerk's Response

All receiving clerks have been notified that they need to check on their bonds and that any new bond be for a definite period, and that being the term of office for elected officials.

Justice Court Clerk.

9. Finding

An effective system of internal control should include an adequate separation of duties. Cash collection and

disbursement functions are not adequately separated for effective internal control. The Justice Court Clerk has the authority to collect cash, make deposits, prepare daily check-up sheets, reconcile the bank statement, post to the cash journal, make monthly settlements and write checks for all disbursements. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Justice Court Clerk should ensure that cash collection and disbursement functions are assigned to other personnel in the Justice Court office.

Justice Court Clerk's Response

As a solution to the auditor's recommendation, I delegate for my Deputy Clerk to make deposits and reconcile bank statements.

10. Finding

Section 9-11-29, Miss. Code Ann. (1972), requires the Justice Court Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), 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 years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Justice Court Clerks was bonded for an indefinite period of time. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Justice Court Clerk should ensure that each bond is sufficient in amount and has a definite beginning and ending date, running concurrent with the term of the Board of Supervisors.

Justice Court Clerk's Response

I will Comply.

Sheriff.

11. Finding

An effective system of internal control should include reconciling amounts billed for charges for services with payments received for these services. There appears to be an internal control weakness in that differences in charges for services between the county and entities being billed are not accounted for.

Recommendation

The Sheriff should ensure that all discrepancies between the county's billing records and the city's payments are properly documented.

Sheriff's Response

This has been addressed and corrected.

12. Finding

Section 45-5-9, Miss. Code Ann. (1972), requires Sheriff's deputies hired under this section to execute a bond for \$25,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss.

Code Ann. (1972), 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 years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. There were several deputies whose bonds were either expired or for an indefinite period of time. This would limit the amount available for recovery if a loss occurred over multiple terms.

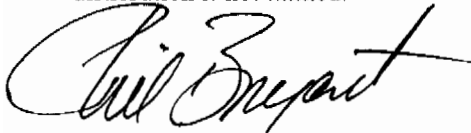
Recommendation

The Sheriff should ensure that each bond is current and has a definite beginning and ending date, running concurrent with the term of the Board of Supervisors.

Sheriff's Response

This has been corrected.

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



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division