



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

June 15, 2006

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Forrest County, Mississippi

In planning and performing our audit of the financial statements of Forrest County, Mississippi for the year ended September 30, 2004, we considered Forrest 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 April 28, 2005.

In addition, for areas not considered material to Forrest 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 September 19, 2005. 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 April 28, 2005, on the financial statements of Forrest County, Mississippi.

However, because of the reduced scope, these procedures and 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 immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Chancery Clerk.

1. Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. As reported in the prior year audit report, the following duties were not performed:

- a. The county did not reconcile the quarterly report received from the State Treasurer to their bank deposit records.
- b. The county did not notify the appropriate bank officials when increases in deposits exceeded 25% of the average daily balances.

Recommendation

The Chancery Clerk should ensure the reconciliation is prepared quarterly, the annual report is submitted by October 31st and the bank is notified when appropriate.

Chancery Clerk's Response

Forrest County developed and implemented procedures to reconcile collateralization amounts as set forth by section 27-105-5 during the 2005 fiscal year. All quarterly reports are now currently reconciled with area banks. Notification is made to banks when deposits exceed 25% of the average daily balances.

2. Finding

Section 9-1-43, Miss. Code Ann. (1972), limits the compensation of Chancery Clerks to \$84,870 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. Some expenses deducted against income were not valid Schedule C expenses. The total of the disallowed expenses is \$1,185.

Recommendation

The Chancery Clerk should pay the amount of the disallowed expenses to the General Fund of the county. An amended report should be filed with both the Office of the State Auditor and the Public Employees' Retirement System.

Chancery Clerk's Response


An amended annual financial report was filed. Corrections were made to the expenses based on issues pointed out in the finding. The corrected annual financial report reflects the disallowed expense of \$1,185. The Chancery Clerk will deposit these funds into the Forrest County General Fund.

Auditor's Note:

The Chancery Clerk paid \$1,185 to the General Fund of the county on June 12, 2006 as evidenced by Receipt Warrant # 35567.

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