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**JACKSON COUNTY, MISSISSIPPI**

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

**SEPTEMBER 30, 2004**

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

**Members of the Board of Supervisors:  
Jackson County, Mississippi**

In planning and performing our audit of the financial statements of Jackson County, Mississippi for the year ended September 30, 2004, we considered Jackson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jackson 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. 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. This report does not affect our report dated March 3, 2005, on the financial statements of Jackson County, Mississippi.

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 immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

**Finding**

In the year ended September 30, 2004, the Tax Assessor was paid \$672 in excess of the compensation he is allowed under various state statutes.

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**Recommendation**

We recommend the Tax Assessor's salary be adjusted to the amounts per the statutes (note that the amounts allowed per the statutes increased effective October 1, 2004). We also recommend the excess compensation for 2004 and for the period from October 1, 2004 until his salary is adjusted be repaid to the County in 2005.

**Response**

This has been repaid and salary amounts have been adjusted to insure that this won't happen in the future.

**Finding**

Two payroll checks dated October 1, 2004 cleared the bank on September 30, 2004. From discussions with Finance Department personnel, some departments pick up their checks the day before payday to distribute to their employees on payday. Apparently, some of these departments are distributing the checks early.

**Recommendation**

The County should not issue paychecks prior to payday.

**Response**

The County has adopted a policy that no paychecks will be distributed before payday.

**Finding**

Each quarter, the State Treasury Department sends the County a bank collateralization report. Banks collateralize the higher of the County's average deposits or ending deposits for the quarter. We found that at September 30, 2004, Hancock Bank omitted the County's general account from its ending balance report. However, it did include it in the average balance report, so it was collateralized. We also found that Hancock Bank is calculating both its average and ending balance based on its 60% share of the actual balance in the account (M&M Bank shares the remaining 40%), even though it actually only settles to M&M Bank at the beginning of each month. We have discussed this situation with Finance Department personnel and with Hancock Bank and the State Treasury Department.

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**Recommendation**

We have discussed this finding with Finance Department personnel and understand that they will request more detailed quarterly reports from the banks to allow them to more closely monitor and reconcile the quarterly Treasury Department reports. Hancock Bank should be instructed to report the total balance in the account less the amount it has actually settled to M&M Bank as its share for calculating both the average and ending balances.

**Response**

The Finance Department has changed the procedure to include requesting a detail report from the State Collateral Pool on all accounts. We will request the bank correct any errors detected due to timing differences of reports. All accounts will continue to be reconciled to the State Collateral Pool on a quarterly basis as required.

**Finding**

The County's tort claims account at Hancock Bank established under Section 11-46-17 and 11-46-19 of the Mississippi Code appears to be invested in a mutual fund that invests in obligations of the United States Government. This investment does not appear to be a permitted investment for a county under Section 19-9-29 of the Mississippi Code.

**Recommendation**

The Board Attorney should research the question of whether this investment is a permitted investment for a County, including obtaining an Attorney General's opinion, if you deem that appropriate. If the investment is found to be not permitted, the County should change the investment to one that is permitted.

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**Response**

When the Tort Claims Act went into effect in 1993 we were required by 11-46-17(3) M.C.A. to obtain liability insurance, or establish self insurance reserves or a combination of both, insurance and reserves. We chose the insurance and reserves. The money in Hancock Bank is the reserve. The amount of the reserve was first determined by an actuarial valuation from a firm in Dallas, TX. All plans of insurance and/or reserves must be submitted to the Tort Claims Board for approval. If approved, the Tort Claim Board issues the political subdivision what is called a certificate of coverage also under 11-46-17(3). Thus, the reserve is part of our coverage plan in order for the County to keep its certificate of coverage from the Tort Claims Board. The money needs to be readily accessible in the event it is needed to pay a claim or claims. As a part of our suggested plan, the Tort Claims Board required us to enter into a Trust Agreement. The Trust Agreement was forwarded to the Tort Claims Board and the agreement set out how the money could be invested by the Trustee. The exact language of the Trust Agreement is as follows, "The Trustee shall invest and reinvest the Trust Fund and the income therefrom in any one or more of the following eligible investments: (a) bonds, notes and other obligations of the United States and securities unconditionally guaranteed as to payment of principal and interest by the United States or any agency thereof; (b) money market funds (including those to which the bank or its subsidiaries serve as Investment Advisor) or certificates of deposit in any bank (including the banking department of the Trustee bank) or savings and loan associations whose deposits are insured by the FDIC or the FSLIC and which have assets in excess of liabilities of at least \$50,000,000 and; (c) such other investments acceptable to the Board upon review and valuation." Subsequently, the Tort Claims Board approved our insurance coverage plan. Pursuant to M.C.A. 11-46-19 the Tort Claims Board is given the power to review, approve and or reject any plan or self insurance reserves of the county. In addition, M.C.A. 11-46-17 provides that the County can establish self-insurance reserves, subject to the approval of the Tort Claims Board. Therefore, it appears the Tort Claims Board's approval of our plan should be sufficient authority.

*Bronzeal, Saunders & O'Neil, LLC*

March 3, 2005