

Report on the

Wilcox County Commission

Wilcox County, Alabama

October 1, 2015 through September 30, 2018

Filed: November 6, 2020



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An examination was conducted on the Wilcox County Commission, Wilcox County, Alabama, for the period October 1, 2015 through September 30, 2018, by Examiners Meagan McDonald and Queneshia Beal. I, Meagan McDonald, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results and findings of the examination.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Meagan McDonald'.

Meagan McDonald
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Wilcox County Commission
October 1, 2015 through September 30, 2018**

The Wilcox County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Wilcox County. The members and officials in charge of governance of the Commission are listed on Exhibit 1. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Wilcox County.

The objectives of a traditional audit are to determine whether the financial statements present fairly the financial position and results of financial operations. It is a standard business and best practice for governments to reconcile, adjust and close financial accounts at the end of each accounting cycle and to prepare financial statements. Financial statements are used to communicate to management, citizens, investors, creditors and other stakeholders the resources received by the County, how those resources were used and what resources remain at the end of each reporting period. Financial statements are the core of financial reporting and are the principal means of communicating financial information to external users.

Attempts were made to obtain year-end financial statements in order to perform a financial statement audit of the Commission’s activities and the results of its operations. However, the Commission had not prepared financial statements for at least three (3) fiscal years as indicated in Finding 2018-001. These fiscal years include the periods October 1, 2015 through September 30, 2016; October 1, 2016 through September 30, 2017; and October 1, 2017 through September 30, 2018. On April 20, 2020, the Commission requested that the Department perform a legal compliance examination of the Commission for the 2016, 2017 and 2018 fiscal years and indicated that they would engage outside consultants to prepare financial statements of the fiscal year ending September 30, 2019. Pursuant to this request, the Chief Examiner approved this plan on May 20, 2020, and we performed a legal compliance examination in lieu of traditional financial statement audits for the 2016, 2017 and 2018 fiscal years.

The Commission’s failure to have traditional financial statement audits for the above referenced fiscal years may impact the Commission’s credit rating and/or ability to borrow money in the future. Additionally, if the Commission expended \$750,000 or more in federal awards during any fiscal year, its failure to have the federal awards audited as required by the Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* may result in the loss of future federal funding.

This report presents the results of an examination of the Commission and a review of compliance by the Commission with applicable laws and regulations of the State of Alabama in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

Instances of noncompliance with state and local laws and regulations and other matters were found during the examination, as shown on the Schedule of State and Local Compliance and Other Findings and they are summarized below.

CURRENT FINDINGS

- ◆ 2018-001 relates to the Commission's failure to produce financial statements, including a Schedule of Expenditures of Federal Awards, for the fiscal years ended September 30, 2016, September 30, 2017, and September 30, 2018.
- ◆ 2018-002 relates to inadequate documentation of expenditures. This finding was previously reported as Finding 2015-004.
- ◆ 2018-003 relates to the Commission's failure to comply with the provisions of the 2008 General Obligation Warrants and 2012 General Obligation Warrants proceeds. This finding was previously reported as Finding 2008-002.
- ◆ 2018-004 relates to the Commission not properly recording and documenting accrued wages payable. This finding was previously reported as Finding 2015-001.
- ◆ 2018-005 relates to the Commission not reconciling certain bank accounts and not properly reconciling credit card receipts to deposits. This finding was previously reported as Finding 2015-002.
- ◆ 2018-006 relates to the Commission not approving adjustments to water and solid waste services. This finding was previously reported as Finding 2015-003.
- ◆ 2018-007 relates to the lack of segregation of duties within the Solid Waste and Water system functions. This finding was previously reported as Finding 2004-002.
- ◆ 2018-008 relates to the Commission not properly recording additions to capital assets and depreciation. This finding was previously reported as Finding 2015-005.
- ◆ 2018-009 relates to the Commission's failure to comply with the provisions of Act Number 2010-738.

Commission members and administrative personnel, as reflected on Exhibit 1, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Commission members: William W. Albritton and John R. Moton, Jr. and County Administrator, Demetria Turk-Scott. Also in attendance were representatives from the Department of Examiners of Public Accounts: Sherry Owen, Audit Manager; Meagan McDonald, Examiner; and Queneshia Beal, Examiner.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018

Ref. No.	Finding/Noncompliance
2018-001	<p><u>Finding:</u> The Governmental Accounting Standards Board states that a government accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions. Pursuant to the <i>Code of Alabama 1975</i>, Section 41-5A-21, the Chief Examiner of Public Accounts has prescribed the Alabama County Commission Finance Manual as the required accounting system for all County Commissions and as such, each county commission must have the ability to produce a complete set of financial statements in a timely manner. Additionally, any entity that expends more in federal awards than the thresholds established under Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> during any fiscal year is required to report the federal expenditures on the Schedule of Expenditures of Federal Awards and to have a single audit conducted for that year. The Commission did not produce financial statements, including the Schedule of Expenditures of Federal Awards, for the 2016, 2017 and 2018 fiscal years covered by this examination period. As a result, a financial audit could not be conducted and a determination could not be made as to whether a federal single audit was necessary.</p> <p><u>Recommendation:</u> The Commission should prepare financial statements in a timely manner at the end of each fiscal year and should determine the amount of federal expenditures for single audit purposes.</p>

***Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018***

Ref. No.	Finding/Noncompliance
2018-002	<p><u>Finding:</u> An adequate system of internal controls requires proper documentation of expenditures to provide a basis for amounts recorded in the financial records and to demonstrate compliance with applicable legal restrictions. The Commission’s lack of internal controls over expenditures resulted in the following:</p> <ul style="list-style-type: none"> ✓ Proper invoices were not maintained or provided for 24% of the expenditures tested. ✓ Purchase orders were not issued for 38% of the expenditures tested. <p>Controls were not in place to ensure expenditures were properly documented. As a result, we were unable to determine all expenditures were made for allowable purposes. This finding was previously reported as Finding 2015-004.</p> <p><u>Recommendation:</u> An adequate system of internal controls should be in place to ensure expenditures are supported by proper documentation.</p>
2018-003	<p><u>Finding:</u> The Wilcox County Commission issued General Obligation Warrants, Series 2008, dated March 1, 2008, and General Obligation Warrants, Series 2012, dated January 10, 2012. According to the Official Statements, the purposes of the warrants being issued were to advance refund a portion of the County’s General Obligation Warrants and to construct various capital improvement projects in the County. In addition, the County obtained a letter from the bond issue counsel that described the appropriate uses of the proceeds received from the 2008 General Obligation Warrants. The attorney’s letter referenced the related bond documents and requirements of the Internal Revenue Code stating the proceeds were to be used for capital improvements having a long useful life. In testing the expenditures recorded in the 2008 and 2012 General Obligation Construction Funds, we found the proceeds were used for general maintenance and repairs and to purchase road maintenance materials. The use of the proceeds does not appear to be in compliance with the provisions outlined in the related bond documents. This finding was previously reported as Finding 2008-002.</p> <p><u>Recommendation:</u> The Commission should comply with the provisions in the bond documents for the General Obligation Warrants, Series 2008 and Series 2012, related to the use of the proceeds derived from the issuances.</p>

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018

Ref. No.	Finding/Noncompliance
2018-004	<p><u>Finding:</u> Generally Accepted Accounting Principles require accrued wages payable to be properly recorded and documented at the end of each fiscal year. The Commission failed to properly record accrued wages payable on the general ledger at year-end. The Commission did not have internal controls in place to ensure all financial transactions were accurately recorded and documented at fiscal year-end. As a result, all financial activity was not properly presented in the general ledger balances. This finding was previously reported as Finding 2015-001.</p> <p><u>Recommendation:</u> Accrued wages payable should be properly recorded and documented on the Commission's financial statements.</p>
2018-005	<p><u>Finding:</u> An adequate system of internal controls requires all bank accounts to be reconciled to the general ledger and all deposits to be reconciled to the cash receipts journal. Procedures were not in place to ensure all accounts were reconciled to the general ledger or deposits reconciled to the cash receipts journal. The Commission did not reconcile the bank accounts for the Water and Solid Waste Department. Additionally, the Commission failed to reconcile deposits from credit card transactions to the cash receipts journal. As a result, the Commission was unable to ensure all funds receipted were accurately deposited and bank account balances reconciled to the Commission's records. This finding was previously reported as Finding 2015-002.</p> <p><u>Recommendation:</u> The Commission should reconcile all bank accounts to the general ledger and should reconcile deposits to the cash receipts journal.</p>

***Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018***

Ref. No.	Finding/Noncompliance
2018-006	<p><u>Finding:</u> An adequate system of internal controls requires policies and procedures to be in place to ensure customer accounts are adjusted for reasonable and legitimate reasons, which are reviewed and approved by the Commission. Adequate policies and procedures regarding adjustments to customer accounts and approval of those adjustments were not in place at the Commission. Testing of customer account activity related to water and solid waste payments revealed account adjustments were approved by individual commissioners instead of the Commission as a whole. As a result, we could not ensure customer account balances were accurately reflected in the Commission’s accounting records. This finding was previously reported as Finding 2015-003.</p> <p><u>Recommendation:</u> The Commission should establish policies and procedures to ensure customer accounts are being adjusted for reasonable and legitimate reasons and those reasons are reviewed and approved by the Commission as a whole.</p>
2018-007	<p><u>Finding:</u> An adequate internal control system requires the incorporation of segregation of duties over the handling of money or adequate oversight when segregation of duties cannot be achieved to ensure the controls are operating effectively. There was a lack of segregation of duties within the Solid Waste and Water System functions. The billing of customers, collection of money, and receipting of money was all performed by two individual clerks. The Office Manager is responsible for receiving the daily mail, posting all receipts received in the mail, filling out the deposit slips, and making the daily deposits. As a result of not properly monitoring their internal control system, the Commission could be exposed to the risk of loss or theft. This finding was previously reported as Finding 2004-002.</p> <p><u>Recommendation:</u> The Commission should ensure adequate segregation of duties are in place within the Solid Waste and Water System functions.</p>

***Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018***

Ref. No.	Finding/Noncompliance
2018-008	<p><u>Finding:</u> Generally Accepted Accounting Principles require the Commission to maintain adequate records to support the balances for capital assets and properly record transactions related to capital assets. Additionally, capital assets are to be depreciated in accordance with accounting principles generally accepted in the United States of America. Procedures were not in place to ensure an accurate detailed list of capital assets was maintained and capital assets were accurately reported in the accounting records, including applicable depreciation. The Commission did not properly record expenditures incurred during the fiscal years for capital assets as additions to capital assets. The Commission did not properly record deletions upon the disposal of capital assets during the fiscal years. Additionally, the Commission did not calculate or record depreciation expense for fiscal years 2016, 2017 or 2018. As a result, the Commission’s financial records do not properly reflect balances of capital assets. This finding was previously reported as Finding 2015-005.</p> <p><u>Recommendation:</u> All transactions related to capital assets should be properly recorded in the accounting records.</p>
2018-009	<p><u>Finding:</u> Act Number 2010-738, Acts of Alabama, provides for the Wilcox County Commission to establish a Contingent Fund to which an amount not to exceed \$10,000 may be appropriated and “may be expended for any county purposes not otherwise provided by law which, in the judgment of the Wilcox County Commission, is in the best interest of the county.” Act Number 2010-738 also provides the Commission may establish procedures for the expenditure of such monies, which at a minimum “must require approval by a majority vote of the county commission.” The Commission expended non-appropriated General Fund monies, termed “discretionary”, during fiscal years 2016, 2017 and 2018 which were not approved by majority vote of the county commission. The Commission also budgeted over \$10,000 annually in the General Fund for such “discretionary” funds. Procedures were not in place to ensure non-appropriated monies were legally appropriated in a separate Contingent Fund and expended according to local law. The Commission failed to ensure compliance with Act Number 2010-738, resulting in more than \$10,000 being expended annually and disbursements not being approved by majority vote of the county commission.</p> <p><u>Recommendation:</u> The Commission should ensure compliance with the provisions of Act Number 2010-738.</p>

Additional Information

Commission Members and Administrative Personnel
October 1, 2015 through September 30, 2018

Commission Members

Term Expires

Hon. William W. Albritton	Chairman	November 2024
Hon. John R. Moton, Jr.	Vice-Chairman	November 2020
Hon. Marion McIntosh	Member	November 2018
Hon. Charles E. Lawson	Member	November 2022
Hon. Ricky L. Powell	Member	November 2020
Hon. Joseph Green	Member	November 2018

Administrative Personnel

Demetria Turk-Scott	County Administrator	Indefinite
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