

Report on the

Escambia County Commission

Escambia County, Alabama

October 1, 2018 through September 30, 2019

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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 Escambia County Commission, Escambia County, Alabama, for the period October 1, 2018 through September 30, 2019, by Examiner Brittany H. Little. I, Miranda L. Bonner, served as Audit Manager on this 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 of the examination.

Respectfully submitted,

Miranda L. Bonner

Miranda L. Bonner
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Escambia County Commission
October 1, 2018 through September 30, 2019**

The Escambia County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Escambia County. The members and administrative personnel 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 Escambia 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.

Several 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 did not prepare auditable financial statements for the 2019 fiscal year, as indicated in Finding 2019-001. In March 2022, the Chief Examiner notified the Commission that the Department has a duty to audit and examine the Commission’s books and records; therefore, a legal compliance examination would have to be performed in lieu of a financial statement audit for the fiscal year ended September 30, 2019.

The Commission’s failure to have a traditional financial statement audit for fiscal year 2019 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 fiscal year 2019, its failure to have the federal awards audited as required by the Office of Management and Budget (OMB) 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 the Commission's compliance 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.

FINDINGS

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.

- ◆ 2019-001 relates to the Commission's failure to produce financial statements, including a Schedule of Expenditures of Federal Awards, for the 2019 fiscal year.
- ◆ 2019-002 relates to the Commission's failure to reconcile bank accounts in a timely manner. This finding was originally reported as Finding 2018-001.
- ◆ 2019-003 relates to the Commission's error in calculating the Supernumerary Sheriff's salary. This finding was originally reported as Finding 2018-002.

EXIT CONFERENCE

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 Administrator of the County Commission Tony Sanks; and County Commissioners: Raymond Wiggins, Scottie Stewart, Brandon Smith, and Karean Reynolds. Representing the Department of Examiners of Public Accounts was Miranda Bonner, Audit Manager.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
October 1, 2018 through September 30, 2019

Ref. No.	Finding/Noncompliance
2019-001	<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 threshold established under Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirement 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 2019 fiscal year 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
October 1, 2018 through September 30, 2019

Ref. No.	Finding/Noncompliance
2019-002	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Sections 11-3-11(a)(3) and (4), give the Commission the authority to examine, settle, and allow all accounts and claims chargeable against the county and to examine and audit the accounts of all officers having the care, management, collection, or disbursement of money belonging to the county or appropriated for its use and benefit. Therefore, to fulfill this responsibility, it is incumbent upon the management of the Escambia County Commission (the “Commission”) to establish, implement and maintain policies and procedures to reconcile the cash shown in the Commission’s accounting records to the amounts shown in the bank account on a monthly basis. The performance of these reconciliations helps the Commission to maintain accountability for cash and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected. The Commission failed to reconcile the amounts shown in its bank accounts to the amounts shown in its accounting records monthly. As a result of not reconciling the bank accounts in a timely manner and not reconciling the bank accounts to the accounting records, errors occurred between accounts that were not corrected. This finding was originally reported as Finding 2018-001.</p> <p><u>Recommendation:</u> The Commission should implement policies and procedures to reconcile bank accounts monthly to fulfill its responsibilities under the <i>Code of Alabama 1975</i>, Sections 11-3-11(a)(3) and (4).</p>

Schedule of State and Local Compliance and Other Findings
October 1, 2018 through September 30, 2019

Ref. No.	Finding/Noncompliance
2019-003	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Sections 11-3-11(a)(3) and (4), give the Commission the authority to examine, settle, and allow all accounts and claims chargeable against the county and to examine and audit the accounts of all officers having the care, management, collection, or disbursement of money belonging to the county or appropriated for its use and benefit. Therefore, to fulfill this responsibility, it is incumbent upon the management of the Escambia County Commission (the “Commission”) to establish, implement and maintain policies and procedures to require appropriate documentation to support the expenditure of county funds for all purposes, including payroll. Policies and procedures to support payroll expenditures would include requirements to review payroll salaries and increases for accuracy. The Commission failed to establish policies and procedures to ensure salaries were accurately calculated and, as a result, the Supernumerary Sheriff’s salary was calculated incorrectly beginning in fiscal year 2018. Furthermore, since the error was not noted until the fiscal year 2018 audit was conducted (due to the Commission failing to prepare financial statements timely and have annual audits) this error has accumulated with each subsequent year. Overall, the net amount overpaid to the Supernumerary Sheriff was \$8,007.40. Charges against the Supernumerary Sheriff were reflected in the 2018 fiscal year audit report. Subsequent to the examination, the Supernumerary Sheriff signed a repayment plan with the Commission to repay the amounts owed. This finding was originally reported as Finding 2018-002.</p> <p><u>Recommendation:</u> The Commission should establish, implement and maintain policies and procedures to ensure salaries and increases to salaries are accurately calculated.</p>

Additional Information

Commission Members and Administrative Personnel
October 1, 2018 through September 30, 2019

Commission Members		Term Expires
Hon. Raymond Wiggins	Chairman	2024
Hon. David Stokes	Member	2020
Hon. Larry White	Member	2018
Hon. Scottie Stewart	Member	2022
Hon. Brandon Smith	Member	2024
Hon. David A. Quarker	Member	2018
Hon. Karean Reynolds	Member	2022
<u>Administrative Personnel</u>		
Tony Sanks	County Administrator	Indefinite