



Alabama Department of Examiners of Public Accounts

Report on the **Wilcox County Commission** **Wilcox County, Alabama**

October 1, 2018 through September 30, 2019

Filed: March 3, 2023

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ALABAMA STATE HOUSE

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, 2018 through September 30, 2019. 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,

Meagan McDonald
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

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

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.

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 financial statements for the 2019 fiscal year, as indicated in Finding 2019-001. On June 28, 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 traditional financial statement audits for the above referenced fiscal year 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 the fiscal year, 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 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: The Commission failed to produce financial statements, including a Schedule of Expenditures of Federal Awards, for the fiscal year ended September 30, 2019. This finding was previously reported as Finding 2018-001.
- ◆ 2019-002: The Commission did not maintain adequate documentation of all expenditures. This finding was previously reported as Finding 2018-002.
- ◆ 2019-003: The Commission did not properly record all financial activity. This finding was previously reported at Findings 2018-004 and 2018-008.
- ◆ 2019-004: The Commission did not remit educational casual sales and use tax to the Board of Education.
- ◆ 2019-005: The Commission failed to comply with the provisions of Act Number 2010-738, Acts of Alabama. This finding was previously reported as Finding 2018-009.

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 William W. Albritton, Commissioner; and Demetria Turk-Scott, County Administrator. Representing the Department of Examiners of Public Accounts were Miranda Bonner, Audit Manager; and Meagan McDonald, Examiner.

*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></p> <p>The Governmental Accounting Standards Board’s Codification of Governmental Accounting and Financial Reporting Standards, Section 1100.101, provides that a governmental 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 the audit requirements of Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</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. Procedures were not in place to ensure financial statements were prepared. 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>This finding was previously reported as Finding 2018-001.</p> <p><u>Recommendation:</u></p> <p>The Commission should prepare financial statements at the end of each fiscal year in a timely manner to enable a financial statement audit to be performed. In addition, the Commission should determine whether a federal single audit is required and, if so, prepare a Schedule of Expenditures of Federal Awards to enable a Single Audit to be performed.</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 Commission to establish, implement and maintain policies and procedures to require appropriate documentation to support the expenditure of county funds. The documentation should include but is not limited to vendor invoices and pre-numbered purchase orders. Of the forty expenditures selected for testing, nineteen had incomplete documentation to support the purchase. Additionally, three of forty expenditures tested included payments for finance and/or late charges. Policies and procedures were not in place to ensure complete documentation was maintained for all Commission expenditures. As result, public money could be spent for unlawful or unapproved purchases.</p> <p>This finding was previously reported as Finding 2018-002.</p> <p><u>Recommendation:</u> The Commission should establish policies and procedures to ensure expenditures are supported by proper and complete documentation.</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> Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records, underlying accounting records to be maintained to support amounts in the general ledger and subsidiary listings, and any adjustments made to the financial records to be adequately documented. The following discrepancies were noted:</p> <ul style="list-style-type: none"> ✓ Salaries and Benefits Payable were not calculated or recorded by the Commission. ✓ Capital asset activity was not maintained or recorded. Expenditures incurred for capital assets were not recorded as additions to capital assets. Deletions upon the disposal of capital assets were not properly recorded. Depreciation expense was not calculated or recorded in the financial records. ✓ Bank accounts for the General Fund, the Secondary Road, the Excess Land Sales Fund, and the Payroll Fund were not accurately reconciled to the general ledger. ✓ Transfers In and Transfers Out did not balance in the general ledger. ✓ Water Fund receivables were not recorded properly in the financial records. <p>Procedures were not in place to ensure all relevant financial activity was properly recorded and/or maintained in the accounting records. As a result, the Commission’s financial records did not accurately reflect all financial activity of the Commission.</p> <p>This finding was previously reported as Findings 2018-004 and 2018-008.</p> <p><u>Recommendation:</u> The Commission should establish and implement procedures to ensure that all financial activity is accurately recorded in the accounting records.</p>

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

Ref. No.	Finding/Noncompliance
2019-004	<p><u>Finding:</u></p> <p>The <i>Code of Alabama 1975</i>, Section 40-12-4(a), states “In order to provide funds for public school purposes, the governing body of each of the several counties in this state is hereby authorized by ordinance to levy and provide for the assessment and collection of franchise, excise and privilege license taxes with respect to privileges or receipts from privileges exercised in such county, which shall be in addition to any and all other county taxes heretofore or hereafter authorized by law in such county.” On January 27, 1992, the Wilcox County Commission (the “Commission”) passed an ordinance, pursuant to the <i>Code of Alabama 1975</i>, Section 40-12-4(a), authorizing a one-half cent sales tax on the sale of automobiles for the benefit of the Wilcox County Board of Education (the “Board of Education”) for educational purposes. The Wilcox County Judge of Probate collects county sales and use tax on automobiles (which includes the County portion and the portion due to the Board of Education) and then remits all net county sales and use tax to the Commission. The Commission should then remit the education portion of the county tax to the Board of Education. The educational portion of the tax received from the Judge of Probate was recorded as a liability by the Commission (due to the Board of Education); however, the tax was not paid to the Board of Education during the examination period. The amount due to the Board of Education for the examination period is \$47,270.84. We verified that the education portion of the casual sales and use tax is still not being paid to the Board of Education and as of September 2022 the balance due to the Board of Education is \$129,290.46. The Commission did not have controls in place to ensure the casual sales and use tax owed to the Board of Education was paid. As a result, taxes authorized for educational purposes are not being used for those purposes.</p> <p><u>Recommendation:</u></p> <p>The Commission should ensure the educational portion of the casual sales and use tax is paid to the Board of Education in a timely manner.</p>

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

Ref. No.	Finding/Noncompliance
2019-005	<p><u>Finding:</u> Act Number 2010-738, Acts of Alabama (the “Act”) provides for the Wilcox County Commission to establish a Contingent Fund not to exceed \$10,000 annually that “may be expended for any county purposes not otherwise provided by law which in the judgment of the Wilcox County Commission are in the best interest of the county”. The Act also provides for the establishment of procedures for the expenditure of the Contingent Fund that at a minimum "must require approval by a majority vote of the county commission". The Commission expended funds termed "discretionary" during fiscal year 2019 that were not approved by majority vote of the county commission. The Commission also budgeted over \$10,000 annually for the "discretionary" funds. Procedures were not in place to ensure that the Commission was in compliance with the Act. The Commission failed to ensure compliance with the provisions of the Act, which resulted in more than \$10,000 being expended annually and disbursements not being approved by majority vote of the county commission.</p> <p>This finding was previously reported as 2018-009.</p> <p><u>Recommendation:</u> Procedures should be established and implemented to ensure the Commission is in compliance with Act Number 2010-738, Acts of Alabama, which governs monies for a Contingent Fund.</p>

Additional Information

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

Commission Members		Term Expires
Hon. John R. Moton, Jr.	Chairman	November 2020
Hon. William W. Albritton	Vice-Chairman	November 2024
Hon. Marion McIntosh	Member	Deceased
Hon. Charles E. Lawson	Member	November 2026
Hon. Ricky L. Powell	Member	November 2020
Hon. Joseph Green	Member	November 2018
Hon. Michael Saulsberry	Member	Deceased
Hon. Reginald Southall	Member	November 2022
<u>Administrative Personnel</u>		
Demetria Turk-Scott	County Administrator	Indefinite