Report on the

Lawrence County Commission

Lawrence County, Alabama

October 1, 2011 through September 30, 2015

Filed: December 29, 2017

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

17-541

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Ronald L. Jones
Chief Examiner

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-21, I submit this report on the results of the examination of the Lawrence County Commission, Lawrence County, Alabama, for the period October 1, 2011 through September 30, 2015.

Respectfully submitted,

Robin V. Lakey

Robin V. Lakey
Examiner of Public Accounts

Sworn to and subscribed before me this
the 12th day of December, 2017.

Notary Public
My Commission Expires: 5/31/2021

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Department of
Examiners of Public Accounts

SUMMARY

Lawrence County Commission
October 1, 2011 through September 30, 2015

The Lawrence County Commission (the "Commission") is a five-member body elected by the citizens of Lawrence 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 Lawrence County.

The objectives of a traditional audit are to determine whether the financial statements present fairly the financial position and results of financial operations. On March 23, 2017, the Lawrence County Commission requested that we perform a legal compliance examination in lieu of traditional financial statement audits for the following fiscal years: October 1, 2011 through September 30, 2012; October 1, 2012 through September 30, 2013; October 1, 2013 through September 30, 2014; and October 1, 2014 through September 30, 2015.

The Lawrence County Commission's failure to have traditional financial statements audits for the above referenced fiscal years may impact the County's credit rating and/or ability to borrow money in the future. Additionally, if the Lawrence County Commission expended $500,000 or more in federal awards during any fiscal year, its failure to have the federal awards audited as required by the Office of Management and Budget (OMB) Circular Number A-133, ***Audits of States, Local Governments, and Non-Profit Organizations*** 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 41-5-14.

Findings are numbered and reported by the fiscal year in which the finding originally occurred.

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

- 2015-001 relates to the failure of the Commission to properly approve all personnel matters and document all actions in the minutes to the Commission meetings.

- 2015-002 relates to the failure to ensure services were rendered before payments are made.

- 2015-003 relates to the failure to properly pay salaries for elected officials.

- 2015-004 relates to the failure to properly approve and maintain documentation for expenditures tested.

- 2015-005 relates to the failure to properly record revenues received in the Commission's accounting records, and instances of depositing money received into the wrong bank accounts.

- 2015-006 relates to the improper distribution of sales tax and privilege tax.

- 2015-007 relates to the failure to publish financial statements for all years of the examination period.

- 2015-008 relates to the failure to comply with Act Number 2009-152, Acts of Alabama, concerning expenditures from the Community Development Fund.

Findings that were presented in prior audits have not been resolved and they are summarized below:

UNRESOLVED PRIOR FINDINGS

- 2011-002 relates to problems regarding the budgets for each year of the examination period.

- 2011-004 relates to the improper distribution of TVA-in-lieu-of-tax payments.

- 2007-009 relates to deficit fund balances.

- 2007-011 relates to the Commission's failure to maintain bid file documentation.

The following officials/administrative personnel were invited to an exit conference to discuss the contents of this report: County Commissioners: Norman Pool, Mose Jones, Jr., Bradley Cross, Bobby Burch, Joey Hargrove, Prentis Davis, and Jon-Mark Nelson; County Administrator: Donna Llewellyn and former County Administrators: Peggy King and Tricia Galbreath. The following individuals attended the exit conference, held at the offices of the Commission: County Administrator: Donna Llewellyn; former County Administrator: Peggy King; County Commissioners: Norman Pool, Mose Jones, Jr., and Bobby Burch; and representatives from the Department of Examiners of Public Accounts: Robin V. Lakey, Audit Manager and Lynn Brown, Examiner of Public Accounts.

Schedule of State and Local Compliance and Other Findings

Schedule of State and Local Compliance and Other Findings

For the Period October 1, 2011 through September 30, 2015

Ref. No.	Finding/Noncompliance
2015-001	**Finding:** The minutes of the Lawrence County Commission meetings are the official legal record of the business conducted by the Commission. The ***Code of Alabama 1975***, Section 36-25A-4, requires the Commission to maintain accurate records of its meetings including all actions taken. Personnel actions were taken to give raises to three Commission employees. These actions were not approved by the Commission and were not properly reflected in the minutes. **Recommendation:** All personnel actions should be approved by the Commission and properly reflected in the minutes to the Commission meetings.
2015-002	**Finding:** Article IV, Section 94 of the ***Constitution of Alabama 1901***, prohibits any county, city, town or other subdivision of the state to lend its credit, or to grant public funds to any individual or corporation, public or private. Payments to individuals are normally made after services are rendered. On numerous occasions during the examination period, the Commission paid a former County Administrator an agreed upon contract amount a month in advance before services were rendered. **Recommendation:** Payments should not be made before services are rendered.
2015-003	**Finding:** The ***Code of Alabama 1975***, Sections 11-2A-1 through 11-2A-8, provides for the salaries of various elected officials. Discrepancies were noted between actual amounts paid and salary amounts provided by law for these officials. Additionally, salary calculations for elected county officials were not properly documented in the personnel files. Corrections were made to the salaries of the elected officials at the conclusion of the examination. **Recommendation:** Elected officials' salaries should be properly calculated and documented in the personnel files.

Schedule of State and Local Compliance and Other Findings
For the Period October 1, 2011 through September 30, 2015

Ref. No.	Finding/Noncompliance
2015-004	**Finding:** Adequate documentation for expenditures is necessary to provide a basis for amounts recorded in the financial records and to demonstrate compliance with legal requirements. Numerous invoices and other supporting documentation for items tested could not be located to support amounts expended. Additionally, approved purchase orders were not always available to document authorization for the purchase. **Recommendation:** All expenditures should be supported by adequate documentation and an approved purchase order to provide authorization for the amounts expended.
2015-005	**Finding:** The Commission is required to comply with legal restrictions on the use of public resources and provide fiscal accountability. Fund accounting is a mechanism used by governmental entities to ensure and demonstrate legal compliance and accountability. Revenue tests were performed to ensure compliance with applicable laws. Numerous errors were noted whereby revenues received, including legally restricted revenues, were recorded in the incorrect funds. As a result, the Commission deposited money, including legally restricted money, into incorrect bank accounts. **Recommendation:** The Commission should ensure revenues are properly recorded to the correct fund in the general ledger and deposited to the proper bank account.
2015-006	**Finding:** Distribution of sales taxes in Lawrence County are made pursuant to Act Number 493, Acts of Alabama 1959, Act Number 80-123, Acts of Alabama, and the ***Code of Alabama 1975***, Section 40-12-4. Testing revealed errors were made in the distribution of sales tax from July 2014 through the end of the examination period. Additionally, the ***Code of Alabama 1975***, Section 40-14A-26(a), provides for the distribution of a business privilege tax received from the Department of Revenue. A portion of this privilege tax received by the Commission is to be distributed to agencies that received funds from the property tax on shares of stock of domestic corporations in 1999. Errors were made in the distribution of the privilege tax for fiscal year 2015. At the conclusion of the examination, payments were made to correct the effects of the errors in distributions of sales tax and privilege tax. **Recommendation:** The Commission should ensure proper distributions are made for sales taxes and business privilege taxes.

Schedule of State and Local Compliance and Other Findings
For the Period October 1, 2011 through September 30, 2015

Ref. No.	Finding/Noncompliance
2015-007	**Finding:** The ***Code of Alabama 1975***, Section 11-3-21, requires the Commission to publish, in a newspaper of general circulation in the county, a statement of the county's financial status for the 12-month period ending on September 30 of that year to include: ✓ An itemized report of the county's receipts by source and disbursements by functions or purposes. ✓ The outstanding indebtedness of the county of any kind. ✓ The schedule by years for retiring indebtedness, separating funded indebtedness from unfunded indebtedness. ✓ The resources available to pay unfunded indebtedness. Financial statements were not published for fiscal year 2014 or fiscal year 2015. **Recommendation:** The Commission should publish financial statements for each fiscal year in accordance with the ***Code of Alabama 1975***, Section 11-3-21.
2015-008	**Finding:** Act Number 2009-152, Acts of Alabama, establishes the Community Development Fund and authorizes expenditures for promoting economic development. The funds may be expended only upon the order of the Lawrence County Community Development Commission. Salary payments of a legislative employee were made from this fund by the Lawrence County Commission without approval of the Lawrence County Community Development Commission. The Lawrence County Commission reimbursed the Community Development Fund for the salary payments at the conclusion of the examination. **Recommendation:** The Commission should comply with Act Number 2009-152, Acts of Alabama, regarding expenditures from the Community Development Fund.

Schedule of State and Local Compliance and Other Findings
For the Period October 1, 2011 through September 30, 2015

Ref. No.	Finding/Noncompliance
2011-002	**Finding:** The ***Code of Alabama 1975***, Section 11-8-3, requires the Commission to prepare and adopt a budget for each fiscal year which estimates the anticipated revenue under its supervision and control including all unexpended balances. Additionally, the budget should include an estimate of expenditures for county operations. The appropriations made in the budget shall not exceed the estimated total revenue of the county available for appropriations. The following problems were noted regarding the budget for each fiscal year: ✓ Amendments to the budget during the fiscal year were not properly documented in the minutes and a copy of the amended budget was not maintained. ✓ The Commission did not adopt an annual budget for all funds. ✓ The Commission adopted budgets for numerous funds resulting in deficit fund balances. **Recommendation:** Changes made to the budget should be documented in the minutes to the Commission meeting and a copy of the amended budget maintained. A budget should be adopted for all funds and expenditures should not be budgeted in excess of anticipated revenues, including unexpended balances.
2011-004	**Finding:** The ***Code of Alabama 1975***, Section 40-28-3, provides for the distribution of the TVA in-lieu-of-taxes payments by the state to the governing bodies of the served counties. Portions of this money are to be distributed to the agencies and municipalities within the county as provided by local laws. Errors were made in the distribution of these monies resulting in amounts overpaid to various agencies and municipalities in Lawrence County and amounts underpaid to the Commission for the examination period. Distributions were made subsequent to the examination to correct these errors. **Recommendation:** The TVA in-lieu-of-taxes payment should be distributed in accordance with applicable laws.

Schedule of State and Local Compliance and Other Findings

For the Period October 1, 2011 through September 30, 2015

Ref. No.	Finding/Noncompliance
2007-009	**Finding:** The ***Code of Alabama 1975***, Section 11-8-10, states that a county commission should issue no warrant unless funds are available for payment. Deficit fund balances result when the county expends more funds than it has in available resources. There were numerous funds which reported deficit fund balances during the examination period. **Recommendation:** Efforts should be made to eliminate all deficit fund balances.
2007-011	**Finding:** The ***Code of Alabama 1975***, Section 41-16-54(e), (known as the "Alabama Competitive Bid Law") requires that all bid documents be retained in accordance with a retention period established by the Local Government Records Commission. Bid documentation was missing for some of the qualifying expenditures. As a result, it could not be determined if the Commission awarded all contracts in compliance with the Alabama Competitive Bid Law **Recommendation:** The Commission should comply with provisions of the Alabama Competitive Bid Law for all purchases over the threshold, and should properly maintain documents.

Additional Information

Commission Members and Administrative Personnel
October 1, 2011 through September 30, 2015

Commission Members		**Term Expires**
Hon. Mose Jones, Jr.	Member	2018
Hon. Norman Pool	Member	2018
Hon. Bradley Cross	Member	2018
Hon. Bobby Burch	Member	2018
Hon. Joey Hargrove	Member	2018
Hon. Prentis Davis	Member	2014
Hon. Jon-Mark Nelson	Member	2014

Administrative Personnel

Peggy King	County Administrator	January 2013
Tricia Galbreath	County Administrator	January 2014
Donna Llewellyn	County Administrator	June 2016

Bobby Burch served as Chairman from the beginning of the examination period through June 2012. Jon-Mark Nelson served as Chairman from June 2012 to April 2013. Prentis Davis served as Chairman from April 2013 to January 2014. Mose Jones, Jr. served as Chairman from January 2014 to November 2014. Joey Hargrove served as Chairman from November 2014 to August 2015. Bobby Burch served as Chairman from August 2015 to the end of the examination period.