



Alabama Department of Examiners of Public Accounts

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

October 1, 2019 through September 30, 2021

Filed: November 22, 2024

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ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



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

Dear Madam:

An examination was conducted on the Pickens County Commission, Pickens County, Alabama, for the period October 1, 2019 through September 30, 2021, by Examiners Laura Madison and Grace Plowman. I, Laura Madison, 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 of the examination.

Respectfully submitted,

Laura H. Madison
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Pickens County Commission October 1, 2019 through September 30, 2021

The Pickens County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Pickens 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 Pickens 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 had not prepared financial statements for fiscal years 2020 and 2021, as indicated in Finding 2021-001. On February 15, 2024, the Chief Examiner informed 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 traditional financial statement audits for the September 30, 2020 and September 30, 2021 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 Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* 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

The following 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.

- ◆ 2021-001: The Commission did not produce financial statements, including a Schedule of Expenditures of Federal Awards, for the fiscal years ended September 30, 2020 and September 30, 2021.
- ◆ 2021-002: The Commission did not accurately reconcile bank account balances to the general ledger for the fiscal years ended September 30, 2020 and September 30, 2021. The finding was previously reported as Finding 2019-004.
- ◆ 2021-003: The Commission did not obtain an Other Postemployment Benefits (OPEB) actuarial report for the fiscal years ended September 30, 2020 and September 30, 2021. The finding was previously reported as Finding 2019-003.

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 County Administrator Cheryl Bowles. Representing the Department of Examiners of Public Accounts were Shelley Patrenos, Audit Manager; Laura Madison, Examiner and Grace Plowman, Examiner.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings

October 1, 2019 through September 30, 2021

| Ref. No. | Finding/Noncompliance |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2021-001 | <p><u>Finding:</u></p> <p>The <i>Governmental Accounting Standards Board's (GASB) Codification of Governmental and Financial and Reporting Standards</i>, 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 2020 and 2021 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></p> <p>The Commission should prepare financial statements in a timely manner at the end of each fiscal year. In addition, the Commission should determine whether a Single Audit is required and, if so, prepare a Schedule of Expenditures of Federal Awards.</p> |

Schedule of State and Local Compliance and Other Findings

October 1, 2019 through September 30, 2021

| Ref. No. | Finding/Noncompliance |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2021-002 | <p><u>Finding:</u></p> <p>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 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 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 reconciliation 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 prepare accurate bank account reconciliations for the Payroll, Accounts Payable Law Library, Health Insurance and Reach Program Funds. As a result of not accurately reconciling the bank accounts to the accounting records, errors could occur and not be detected. This finding was previously reported as Finding 2019-004.</p> <p><u>Recommendation:</u></p> <p>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, 2019 through September 30, 2021

| Ref. No. | Finding/Noncompliance |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2021-003 | <p><u>Finding:</u></p> <p>The Governmental Accounting Standards Board (GASB) establishes financial reporting principles for State and Local Governments. GASB Statement Number 75, <i>Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions</i> established financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees and requires the Commission to record an OPEB liability, which is required to be determined through an actuarial valuation. Each year, as part of the budget process, the Commission approves the amount that it will pay to provide health insurance for retirees; however, procedures were not in place to ensure an actuarial valuation was prepared as required by GASB Statement Number 75. Consequently, it was not possible to determine the amount that should have been reported as the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2020 and 2021. This finding was previously reported as Finding 2019-003.</p> <p><u>Recommendation:</u></p> <p>The Commission should ensure that an actuarial valuation for the Commission's OPEB Plan is obtained and all related amounts are properly reported.</p> |

Additional Information

Commission Members and Administrative Personnel
October 1, 2019 through September 30, 2021

| Commission Members | | Term Expires |
|---------------------------|--------------|---------------------|
| Hon. Jerry Finch | Commissioner | Deceased |
| Hon. Drew Elmore | Commissioner | 2022 |
| Hon. Bobby Bain | Commissioner | 2022 |
| Hon. Bobby Ingram | Commissioner | 2022 |
| Hon. Mark Gray | Commissioner | 2022 |

Administrative Personnel

| | | |
|---------------|----------------------|------------|
| Cheryl Bowles | County Administrator | Indefinite |
|---------------|----------------------|------------|