



Office of Missouri State Auditor
Nicole Galloway, CPA

Perry County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Perry County

Sheriff's Controls and Procedures	The Sheriff's office has not remitted net proceeds from the inmate commissary account to the County Treasurer for deposit into the Inmate Prisoner Detainee Security Fund. The Sheriff does not properly reconcile fuel usage to fuel purchases, and does not document his review of fuel usage reports.
County Procedures	The County Clerk does not properly consider prior years' results when performing his annual property tax reduction calculations. The county used the same provider to serve as both financial advisor and underwriter for the issuance of lease participation certificates. The County Commission does not document its approval of court orders for property tax additions and abatements.
Passwords	Employees in the offices of the County Collector, Sheriff, Prosecuting Attorney are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations of another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Perry County Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Sheriff's Controls and Procedures4 2. County Procedures5 3. Passwords7
---	---

Organization and Statistical Information	8
---	---



NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
Officeholders of Perry County

We have audited certain operations of Perry County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Perry County for the 2 years ended December 31, 2017. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017. The objectives of our audit were to:

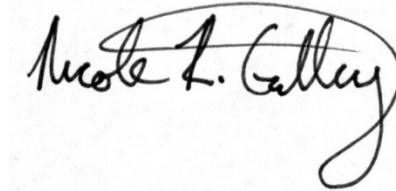
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Perry County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	David Olson
Audit Staff:	Jennifer Anderson
	Troy Tallman, CFE
	Mackenzie Roth

Perry County Management Advisory Report State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected monies for civil paper service, bonds, housing prisoners, inmates, and other miscellaneous receipts totaling approximately \$209,000 during the year ended December 31, 2017.

1.1 Commissary net proceeds

The Sheriff's office has not remitted net proceeds from the inmate commissary account to the County Treasurer for deposit into the Inmate Prisoner Detainee Security Fund. The inmate commissary account balance of \$71,000 at December 31, 2017, consisted of approximately \$500 in inmate monies and approximately \$70,500 in net proceeds from commissary sales.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer.

1.2 Fuel reconciliation

The Sheriff does not properly reconcile fuel usage to fuel purchases, and does not document his review of fuel usage reports. Deputies fuel patrol cars using a bulk fuel tank. The fuel tank is monitored by video camera; however, the tank is easily accessible and unlocked, and the pump is always turned on. The Sheriff indicated he reviews the monthly fuel usage reports, but he does not document this review. During the year ended December 31, 2017, the Sheriff's office spent approximately \$45,000 on fuel for 24 vehicles.

Procedures for reconciling fuel use to fuel purchases and documenting reviews of fuel usage reports are necessary to ensure vehicles are properly utilized and decrease the risk of loss, theft, or misuse of fuel going undetected.

Similar conditions previously reported

Similar conditions were noted in our prior audit report.

Recommendations

The Sheriff:

- 1.1 Disburse net proceeds not necessary to meet cash flow needs or current operating expenses to the County Treasurer for deposit into the Inmate Prisoner Detainee Security Fund.
- 1.2 Establish procedures to reconcile fuel used to fuel purchased and document the review of fuel usage reports. Any significant discrepancies should be promptly investigated.

Auditee's Response

- 1.1 *The Sheriff will continue with the current process which involves oversight by the County Commission.*



Perry County
Management Advisory Report - State Auditor's Findings

1.2 *The Sheriff feels the current procedures are adequate. The Sheriff will sign the fuel usage reports to document his review.*

Auditor's Comment

1.1 Section 221.102, RSMo, requires net proceeds from the commissary, other than a minimum amount for cash flow purposes and current expenses, to be deposited into the Inmate Prisoner Detainee Security Fund held by the County Treasurer.

2. County Procedures

Procedures over county property tax reductions, lease participation certificates, and additions and abatements need improvement.

2.1 Property tax levy reduction

The County Clerk does not properly consider prior years' results when performing his annual property tax reduction calculations. As a result, the general revenue property tax levy has been reduced by approximately \$16,000 more than required by law since our last audit in 2014. Including previous years, the general revenue property tax levy has been reduced by approximately \$150,000 more than required by law.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Perry County voters enacted a one-half of 1 percent general sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The county is required to estimate the annual property tax levy to meet the 50 percent reduction requirement based on estimated sales tax collections of the current year, and adjust for actual sales tax collections of the preceding year that were more or less than the estimate for that year. To ensure property tax levies are properly set, the County Commission and the County Clerk should ensure property tax reductions are accurately calculated.

A similar condition was noted in our prior report.

2.2 Lease participation certificates

The county used the same provider to serve as both financial advisor and underwriter for the issuance of lease participation certificates. In March 2017, the county issued lease participation certificates totaling \$3,345,000 to pay for the renovation of the courthouse. Lease participation certificates are a method of financing a capital project whereby a financial institution sells interests in the capital project, leases the project to a public entity, and repays the certificates with the lease payments. After the certificates have been repaid, the local government typically has the option to purchase, at a nominal amount, the capital project it has been leasing. Lease participation certificates are not required to be approved by county voters and carry higher borrowing costs than traditional bond financing.

Using the same provider to act in the dual capacity of underwriter and financial advisor for a debt issuance creates an inherent conflict of interest. The lack of independent financial advice could result in the county not being



Perry County
Management Advisory Report - State Auditor's Findings

adequately informed of debt issuance options or being unable to adequately evaluate debt proposals. The underwriter does not have a fiduciary responsibility to the county.

2.3 Additions and abatements

The County Commission does not document its approval of court orders for property tax additions and abatements. During the year ended February 28, 2018, additions totaled approximately \$207,000 and abatements totaled approximately \$71,000.

The County Assessor and County Collector process additions and abatements and print a court order for review and approval by the County Commission. The County Commission indicated it reviews the court orders but does not document its approval.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. Documented reviews and approvals of additions and abatements, would help ensure changes made to the property tax system are proper.

Recommendations

The County Commission:

- 2.1 And the County Clerk properly calculate property tax rate reductions and adequately reduce property tax levies for 50 percent of sales tax revenue.
- 2.2 Discontinue using an underwriter who also acts in a dual capacity as financial advisor for debt issuances.
- 2.3 Document approval of all property tax additions and abatements.

Auditee's Response

The County Commission and the County Clerk provided the following response:

- 2.1 *The County Commission and County Clerk will discuss with legal counsel to determine how to proceed.*

The County Commission provided the following responses:

- 2.2 *In the future, the County Commission will ensure any financial proposals are reviewed by an independent source.*
- 2.3 *The County Commission will begin receiving a detailed report monthly which will be signed by the County Commissioners to document the review of the additions and abatements.*



3. Passwords

The County Collector, Sheriff, Prosecuting Attorney, and Public Administrator have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Passwords are necessary to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since employees in several offices are not required to change passwords periodically, there is less assurance they are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

A similar condition was noted in our prior report.

Recommendation

The County Commission work with other county officials to require employees to maintain confidential passwords that must be periodically changed.

Auditee's Response

The County Commission will develop a county-wide password policy for all the offices to adhere to.

Perry County

Organization and Statistical Information

Perry County is a county-organized, third-class county. The county seat is Perryville.

Perry County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. In addition to elected officials, the county employed 66 full-time employees and 15 part-time employees on December 31, 2017.

In addition, county operations include the Senate Bill 40 Board, Mental Health Board, Youth Board, Senior Citizen Board, Solid Waste Board, and 911 services. Also, in conjunction with the City of Perryville, the county operations include maintenance of a community multi-purpose facility.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2018	2017
Carl Leuckel Jr., Presiding Commissioner	\$	36,650
Jay P. Wengert, Associate Commissioner		34,545
Jim Sutterer, Associate Commissioner		34,545
Dana Pritchard, Recorder of Deeds		52,260
Jared W. Kutz, County Clerk (1)		54,343
Thomas L. Hoeh, Prosecuting Attorney		64,324
Gary J. Schaaf, Sheriff		52,139
Kathy A. Schumer, County Treasurer		52,343
Bill Bohnert, County Coroner		16,336
Tamara M. Tarrillion, Public Administrator		47,424
Rodney J. Richardet, County Collector (2), year ended February 28,	64,546	
Charles Triller, County Assessor (3), year ended August 31,		54,343
Tim Baer, County Surveyor (4)		

- (1) Includes \$2,000 of commissions earned for preparing city property tax books.
- (2) Includes \$12,213 of commissions earned for collecting property taxes for cities, levee districts, and drainage districts.
- (3) Includes \$2,000 of commissions earned for assessing city property taxes.
- (4) Compensation on a fee basis.



Perry County
Organization and Statistical Information

Financing
ArrangementFinancing

The county entered into a lease agreement with UMB Bank (the trustee) in March 2017 to provide funding for the costs of renovating the courthouse. Certificates of Participation bonds totaling \$3,345,000 were issued by the trustee on behalf of the county. The county's lease payments to the trustee are equal to the amount due to retire the trustee's indebtedness. Construction was completed in 2018 and the lease is scheduled to be paid off in 2034. The remaining principal outstanding at December 31, 2017, was \$3,345,000. The remaining interest at December 31, 2017, was \$1,013,021. The lease payments are anticipated to be paid with revenue generated from the county's sales tax passed in April 2016.