



August 21, 2018

Report to the Mississippi Legislature

A Limited Management and Compliance Review of Harrison County: Follow-Up to Report #617



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Synopsis

The “County Government Reorganization Act of 1988” (Chapter 14, Laws of the First Extraordinary Session, 1988) mandated a centralized purchasing system that placed controls on procurements by individual county supervisors. In addition, the legislation provided for the use of county administrators and a central inventory system in all counties, and established the unit system of road and bridge fund management to foster efficient use of road and bridge resources.

A county operating under the unit system of government must manage its road and bridge resources for the benefit of the county as a whole and not according to the unique interests and concerns of any of its districts. This entails hiring a Road Manager for the entire county, adopting a road plan for the entire county, and placing roads under a single Road Department. Furthermore, the county must have a County Administrator and a centralized system of personnel management and purchasing.¹

Although Harrison County complies with the formal requisites of unit system law, certain county practices fail to realize the efficiencies of the system, are noncompliant, or represent questionable or inadvisable use of funds.

Operation of Five Repair and Maintenance Facilities

Under the unit system, counties are required to establish a central road repair and maintenance facility and may establish additional road and maintenance facilities by board resolution. However, Harrison County operates five road repair and maintenance facilities, one in each of the five supervisors’ districts. In so doing, it fails to efficiently allocate resources based on road miles under management (see Exhibit 1, page 2).

Three districts each have more than 150 miles of road to manage and oversee, whereas the remaining two districts have 60 miles and 7, respectively, reflecting a disparity in employees per mile under supervision between districts, ranging from 1:1 to 1:14.68.

Continued use of facilities in the districts with fewest miles under management draws resources away areas with the greatest need for road maintenance, based on actual mileage of roads under county control.

¹Davis, S., and Baird, J., eds., *County Government in Mississippi*, Fifth Edition (Mississippi State: Mississippi State University Extension Service, 2015), 40.

Exhibit 1: Harrison County Employees by District and Miles of Road Managed

District	Miles of Road under County Maintenance*	Employees under Assistant Road Managers**
1	60	20
2	169	23
3	279	19
4	7	7
5	159	24

*SOURCE: PEER analysis of Harrison County roadmaps.

**SOURCE: Timecards provided by the Harrison County Road Manager.

Lack of Priorities in County Road Plan

Although Harrison County has a current four-year road plan outlining road projects and their funding methods, no determination of priorities for the particular miles of road to be paved or reconstructed has been made.

An examination of the current four-year plan shows that the roads to be worked during the calendar year period 2017 through 2020 lack the following:

- prioritization of projects most important to ensuring the safety of the residents of Harrison County;
- timelines for project milestones and completion dates within a four-year cycle; and
- any projects listed for completion during the period 2017 through 2020 (it appears to be an old plan).

Without established priorities, paving and other road and bridge maintenance decisions may reflect only the preferences or concerns of a particular supervisor.

Noncompliant Use of Road and Bridge Levy Resources

Harrison County committed Road Department resources to projects and activities not associated with the purposes and responsibilities of road and bridge construction, upkeep, and maintenance.

Per MISS. CODE ANN. Sections 65-15-1 and 65-13-7, funds levied for roads, bridges, and culverts may be used only for road and bridge construction and maintenance, and most activity of the county follows this mandate. However, the Harrison County Board of Supervisors has also used road and bridge funds to support recreational facilities, i.e., for the construction or upkeep of splash pads,² boat launches, ballparks, fairgrounds, and other areas that appear to be recreational in nature.

²A splash pad is a water playground area with ground jets and nozzles that spray water upward to create a zero-depth water play area.

Questionable Use of Escrow Funds

Although within the scope of state law, the Harrison County Board of Supervisors expends escrow funds imprudently without any measurable, collective benefit to the county.

MISS. CODE ANN. Section 27-39-329 (2) (b) states the following:

...each county shall levy each year an ad valorem tax of one (1) mill upon all taxable property of the county, which may be used for any purpose for which counties are authorized by law to levy an ad valorem tax...

According to Harrison County's accounting records, the one mill "escrow" levy generated approximately \$1.87 million and \$1.96 million in fiscal years 2016 and 2017, respectively. The county's practice is to deposit approximately one-fourth of the millage collections in the Special Levy Reappraisal—i.e., Escrow Fund—but allocate the collections equally among the county's five supervisors' districts. As a result, each supervisor has an available balance each fiscal year from which to make expenditures, with the ending balances "rolling forward" into the new fiscal year. For fiscal years 2016 and 2017, the deposits amounted to \$537,834.56 and \$494,226.41, respectively. The county's practice is to allow each supervisor to make decisions regarding specific expenditures from his or her Escrow Fund "account"—an uncommon practice, according to Department of Audit staff.

In addition, the Harrison County Board of Supervisors expended \$98,364 and \$106,709 during fiscal years 2016 and 2017, respectively, in escrow funds to "advertise county resources." MISS. CODE ANN. Section 17-3-3 addresses the use of advertising to advance the interests of the county:

Advertising pursuant to Section 17-3-1 shall include newspaper and magazine advertising and literature, publicity, expositions, public entertainment or other form of advertising or publicity, which in the judgment of such board or boards will be helpful toward advancing the moral, financial and other interests of such municipality or county; however, such advertising shall not include advertisement in publications sponsored by political parties, political committees, or affiliated organization....

The county generally expended escrow funds for advertisements in event programs and other printed materials, banners, signage, and T-shirts or sports jerseys. While not contrary to state law, the practicality of expending escrow funds on local advertising to advance "the moral, financial and other interests" of Harrison County is questionable.

Travel Expenditures

For county fiscal years 2016, 2017, and 2018 (as of November 30, 2017), the Harrison County Board of Supervisors expended approximately \$73,000 on in-state and out-of-state travel associated with attendance at conferences and events.

A review of reimbursements related to these expenses showed 33 instances in which supervisors' travel expenditures were not compliant with state law or state or county travel policies, as follows:

- failure to provide expense receipts after receiving a travel advance;
- paying for meals of other employees;
- claiming reimbursement for expenses that were prepaid by the county; and
- claiming reimbursement for expenses that were not compliant with travel policies.

Whereas, collectively, these items do not represent a large sum of money, taxpayers rightfully expect that all public funds will be properly used in accordance with governing laws and policies, and these instances of noncompliance demonstrate county officials' poor internal control over travel expenditures. Furthermore, Harrison County's recordkeeping methods and practice of prepaying travel expenses result in difficulty auditing the county's travel records and determining total travel costs for individual supervisors.

Executive Sessions

Contrary to Mississippi's policy on the transaction of business in an open setting, according to minutes of the Harrison County Board of Supervisors, during several meetings held between October 2015 and September 2017, the board went into executive session, and its announcements to the public and the recitation of reasons for going into closed and executive sessions set out in the minutes failed to meet the requirements of the "Open Meetings Law."³

In addition, in some cases the board went into executive session to discuss possible litigation. Although in some instances the possible litigation may have related to a personnel matter, possible litigation alone suffers from the same weakness as personnel matters when offered without further detail. In some cases actual litigation was specifically cited, which would presumably yield adequate notice to members of the public.

NOTE: The information contained in the response that follows was self-reported. It has not been independently reviewed or authenticated in whole or in part. The response describes actions taken by the agency to address the conclusions and recommendations included in PEER Report #617.

³MISS. CODE ANN. Section 25-41-1.

HARRISON COUNTY BOARD OF SUPERVISORS

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July 16, 2018

Mr. James A. Barber, Executive Director
Joint Committee on Performance Evaluation and Expenditure Review
Post Office Box 1204
Jackson, Mississippi 39215-1204

Dear Mr. Barber:

This letter is in response to the PEER follow-up review on Harrison County's progress on the recommendations that were presented to the County in its report dated January 8, 2018. Your recommendations in italics and the County's response is as follows:

Recommendation: Harrison County should secure the services of an independent certified public accounting firm to review the expenditures of all escrow, travel and road and bridge funds and related accounts to ensure that the expenditures are in conformity with internal policies and law. In instances in which the firm determines that spending is not in conformity with policy or law, the firm shall recommend corrective action, which may include interfund transfers to reimburse funds from which expenditures were improperly made.

Response: The County has informed our independent auditors of the PEER review report notating the issues reported with the funds mentioned. In the course of their audit, they have reviewed the various funds to ensure that the expenditures are in conformity with internal policies and law. All travel reimbursements are reviewed by the County Administrator and staff to ensure that they are compliant with state law and County policy. Also, a periodic review is performed of all road and bridge funds and related accounts to ensure that reimbursement for work performed outside of the normal course of acceptable road and bridge duties is reimbursed by the various County departments for which work was performed. As noted in the County's response to the PEER review report, the Board directed each time that the Road Department was used to perform work outside roads, that the Road fund be reimbursed, through error of the Road Department such directive was not followed unfortunately, however after thorough review the Road fund has been reimbursed \$73,019.99 for work that was performed in FY 2018 for other departments. In addition to that, the Road fund has been reimbursed funds in the amount of \$48,115.38 for work performed based on our periodic review. See Exhibit A

Perform, in addition to a review of expenditures, the procedures necessary to express an opinion on the effectiveness of the County's financial internal controls and, if needed, recommend corrective action to improve the County's system of financial internal controls.

Response: The County's independent auditors, Wright, Ward, Hatten & Guel, PLLC did identify certain deficiencies in internal control as noted in the audit of Harrison County, MS for FY 2017. They did not provide an opinion on the effectiveness of the County's financial internal controls but they did recommend certain corrective actions for each finding as noted. The County's corrective action to those findings are found on page 94 of the audit report for the fiscal year ended September 30, 2017. See Exhibit B

Consider closing work centers in District 1 and 4 and transferring those staffs and equipment from the Road Department to centers in Districts 2, 3 and 5. The centers in District 1 and 4 should be reviewed for possible repurposing or disposal if no useful purpose can be found for the facilities.

Response: The Board of Supervisors has been reviewing the entire Road Department to determine if the previous Board's Order in accordance with the law establishing the work centers should be changed. The previous Road Manager has resigned and the County is actively seeking to employ a new Road Manager. Multiple interviews have been conducted. When the new Road Manager is hired, he/she will be requested to review and make recommendations regarding the Road Department including staffing and work centers.

Adopt priorities and project milestones and completion targets for all activities reported in the four-year road plans required by law. Such plans should also be kept up to date.

Response: Road plan priorities, project milestones and completion targets for activities in the four-year road plan will be addressed once the new County Road Manager is hired and has reviewed the four-year road plan with the Board of Supervisors.

Consult with the Ethics Commission regarding the proper methods for informing the public and recording in the minutes the reasons for conducting business in executive session.

Response: As PEER was previously advised the minutes of the Board of Supervisors did not accurately reflect what occurred in entering closed session. The minutes have now been corrected to accurately reflect the actions of the Board which were in compliance the law. Going forward, all the minutes of the Board of Supervisors meetings are reviewed to ensure that proper discussions and actions regarding closed sessions and executive sessions are properly documented and reflected as such. See Exhibit C

The Harrison County Board of Supervisors should reconsider its practice of allocating a portion of escrow tax levy collections equally among individual supervisors. The board should formally adopt a resolution stating its intent to use such collections for the county as a whole. However, should the board choose to continue its current practice, the county comptroller should create unique account numbers in the county's accounting system for each supervisor's district that can be utilized to determine escrow expenditures by district.

Response: The Harrison County Board of Supervisors has taken no action on this recommendation as the Board and the Board Attorney believe the County is in full compliance with the law and Attorney General's opinion(s) on this issue. The escrow fund is nothing more than a budgeting method to account for

expenditures of public fund . All fund expended have always been approved in the past and will be approved by the Board at public meetings and/or public purchasing laws complied with.

Should you have any questions regarding the responses above, please contact Pamela J. Ulrich, County Administrator at 228-865-4116.

Yours truly

A handwritten signature in black ink that reads "Pamela J. Ulrich". The signature is written in a cursive style with a large, prominent "P" and "U".

Pamela J. Ulrich

Agency Exhibit A

FY 2018 Road fund reimbursements

Date reimbursed	Project Description	Amount	Account #	Date BOS approved repayment
6/5/2017	Woolmarket Library work	\$ 19,983.84	307-545-581	6/4/2018
2/14/2018	Wash out area work for Sand Beach dept.	8,283.51	156-355-922	2/12/2018
3/6/2018	FY 2016 projects	2,522.00	156-355-581	3/5/2018
4/3/2018	Saucier Ballpark work	1,586.99	001-520-581	4/2/2018
4/10/2018	Saucier Ballpark parking lot	5,810.43	307-545-581	4/9/2018
5/8/2018	D'iberville civic center floor replacement	1,604.28	001-121-922	5/7/2018
5/8/2018	Drainage work at Sheriff's work center	327.86	001-200-581	5/7/2018
5/8/2018	County patrol division work	154.17	001-263-542	5/7/2018
5/8/2018	Outside building & grounds vehicle repair	66.12	001-158-542	5/7/2018
6/5/2018	Success walking track work	780.60	001-520-581	6/4/2018
6/5/2018	Ditch cleaning of Sand Beach dept.	380.15	156-355-581	6/4/2018
6/5/2018	Woolmarket Library work	1,746.72	307-545-581	6/4/2018
6/6/2018	Mason sand for Fairgrounds	357.64	001-522-635	6/4/2018
6/6/2018	Culvert installation at Sheriff's work center	979.29	001-200-581	6/4/2018
7/6/2018	Delivery of election equipment to various precincts	2,588.89	001-180-581	7/2/2018
7/6/2018	Bulkhead repairs at Henderson Point Park	942.89	001-520-641	7/2/2018
	Total	\$ 48,115.38		

WRIGHT, WARD, HATTEN & GUEL

PROFESSIONAL LIMITED LIABILITY COMPANY

(SUCCESSORS TO A. L. EVANS & COMPANY ESTABLISHED 1929)

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**LIMITED INTERNAL CONTROL AND COMPLIANCE
REVIEW MANAGEMENT REPORT**

June 5, 2018

Members of the Board of Supervisors
Harrison County, Mississippi

In planning and performing our audit of the financial statements of Harrison County, Mississippi for the year ended September 30, 2017, we considered Harrison County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Harrison County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 5, 2018, on the financial statements of Harrison County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified a certain immaterial instance of noncompliance with state laws and regulations that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

Board of Supervisors

1. Four-year road plan not adopted and spread upon minutes.

Repeat Finding No

Criteria: Mississippi law requires a four-year road plan be adopted.

STATE OF MISSISSIPPI

COUNTY OF HARRISON

C E R T I F I C A T E

I, JOHN McADAMS, Chancery Clerk and Ex Officio Clerk of the Board of Supervisors of Harrison County, Mississippi, do hereby certify that the following are excerpts of Minutes of the Board of Supervisors of Harrison County, Mississippi regarding the Board entering into Executive Session, as fully as of record in my office in Gulfport, Mississippi, of which I am the official custodian:

Board Order correcting errors *nunc pro tunc* entered 2/5/18, which contains a list of the Board of Supervisors meetings which need to be corrected.

Excerpts from Minutes of the Board of Supervisors meetings dated 2/1/16, 4/11/16, 2/13/17, and 8/7/17, which show the corrections made. This is a random selection of the ten Board meetings which were corrected.

Excerpt from Minutes of the Board of Supervisors' recent meeting of June 4, 2018, which shows the procedure being followed regarding closed/executive sessions.

GIVEN under my hand and seal of the Board of Supervisors at my office in Gulfport, Mississippi, on this 18th day of July 2018.

JOHN McADAMS
Chancery Clerk and Ex Officio Clerk
of the Board of Supervisors of
Harrison County, Mississippi

By: 
Henrietta Caranna, Minutes Clerk

PEER Committee Staff

James A. Barber, Executive Director

Legal and Reapportionment

Ted Booth, General Counsel
Ben Collins
Barton Norfleet

Administration

Alicia Russell-Gilbert
Deborah Hardy
Gale Taylor

Quality Assurance and Reporting

Tracy Bobo
Kelly Saxton

Performance Evaluation

Lonnie Edgar, Principal Analyst
David Pray, Principal Analyst
Jennifer Sebren, Principal Analyst
Kim Cummins
Matthew Dry
Samuel Hearn
Matthew Holmes
Taylor Mullins
Sarah Williamson
Julie Winkeljohn
Ray Wright

Performance Accountability

Linda Triplett, Director
Kirby Arinder
Debra Monroe-Lax
Meri Clare Steelman