

**REPORT OF THE AUDIT OF THE
MONROE COUNTY
SHERIFF**

**For The Period
January 5, 2015 Through December 31, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
MONROE COUNTY SHERIFF

For The Period
January 5, 2015 Through December 31, 2015

The Auditor of Public Accounts has completed the Monroe County Sheriff's audit for the period January 5, 2015 through December 31, 2015. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$1,294 from the prior year, resulting in excess fees of \$28,550 as of December 31, 2015. Receipts increased by \$21,622 from the prior year and disbursements increased by \$22,916.

Report Comments:

- 2015-001 The Monroe County Sheriff's Office Did Not Make Daily Deposits
- 2015-002 The Monroe County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2015-003 The Monroe County Sheriff Had \$241 In Disallowed Disbursements
- 2015-004 The Monroe County Sheriff's Office Was Reimbursed For Court Security And Transporting Prisoners Simultaneously
- 2015-005 The Monroe County Sheriff's Office Does Not Have Proper Internal Controls Over Vehicle Inventory

Deposits:

The sheriff's deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tommy Willett, Monroe County Judge/Executive
The Honorable Dale Ford, Monroe County Sheriff
Members of the Monroe County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Monroe County, Kentucky, for the period January 5, 2015 through December 31, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Tommy Willett, Monroe County Judge/Executive
The Honorable Dale Ford, Monroe County Sheriff
Members of the Monroe County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Monroe County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Monroe County Sheriff, as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Monroe County Sheriff for the period January 5, 2015 through December 31, 2015, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 on our consideration of the Monroe County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The Honorable Tommy Willett, Monroe County Judge/Executive
The Honorable Dale Ford, Monroe County Sheriff
Members of the Monroe County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2015-001 The Monroe County Sheriff's Office Did Not Make Daily Deposits
- 2015-002 The Monroe County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2015-003 The Monroe County Sheriff Had \$241 In Disallowed Disbursements
- 2015-004 The Monroe County Sheriff's Office Was Reimbursed For Court Security And Transporting Prisoners Simultaneously
- 2015-005 The Monroe County Sheriff's Office Does Not Have Proper Internal Controls Over Vehicle Inventory

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

November 21, 2016

MONROE COUNTY
DALE FORD, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period January 5, 2015 Through December 31, 2015

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	8,187
State Fees For Services:		
Finance and Administration Cabinet	\$	64,393
Sheriff Security Service		2,913
Hold Harmless Fees		434
		<u>67,740</u>
Circuit Court Clerk:		
Fines and Fees Collected		1,050
Fiscal Court		24,451
County Clerk - Delinquent Taxes		10,218
Commission On Taxes Collected		128,725
Fees Collected For Services:		
Auto Inspections		6,440
Accident and Police Reports		305
Serving Papers		16,948
Carrying Concealed Deadly Weapon Permits		3,340
		<u>27,033</u>
Other:		
Add-On Fees		10,761
Miscellaneous		3,543
School Resource Officer		14,254
Vehicle Sale		6,000
Sequestered Jury		321
Per Prior Tax Audit		2,325
Drug Fund Supplement		39,325
		<u>76,529</u>
Interest Earned		103
Borrowed Money:		
State Advancement		<u>70,000</u>
Total Receipts		414,036

The accompanying notes are an integral part of this financial statement.

MONROE COUNTY
DALE FORD, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Period January 5, 2015 Through December 31, 2015
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	78,275	
School Resource Officer		21,786	
Court Security Officers		53,989	
KLEFPF		6,303	
Employee Benefits-			
Employer's Share Social Security		5,005	
Employer's Share Retirement		1,077	
Contracted Services-			
Advertising		60	
Vehicle Maintenance and Repairs		9,108	
Materials and Supplies-			
Office Materials and Supplies		5,832	
Uniforms		1,815	
Auto Expense-			
Gasoline		17,849	
Other Charges-			
School Resource Officer Insurance Reimburse		3,327	
School Training		2,476	
Miscellaneous		4,478	
Sequestered Juror Meals		321	
Transporting		135	
Drug Fund Reimbursement		26,050	
Capital Outlay-			
Vehicles		1,000	\$ 238,886
Debt Service:			
State Advancement		70,000	
Total Disbursements		308,886	
Less: Disallowed Disbursement			
Finance Charges		241	
Total Allowable Disbursements			<u>\$ 308,645</u>
Net Receipts			105,391
Less: Statutory Maximum			<u>76,841</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 28,550</u></u>

The accompanying notes are an integral part of this financial statement.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2015

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MONROE COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2015
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent for the first six months and 17.06 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2014, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The sheriff paid the employer's share of retirement on KLEFPF salaries. The sheriff's contribution for calendar year 2013 was \$1,192, calendar year 2014 was \$713, and calendar year 2015 was \$1,077.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

MONROE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2015
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Monroe County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Monroe County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Fund

The Monroe County Sheriff's office established a drug fund in February 1992 with funds received as the result of a drug investigation. These funds are to be used for drug enforcement and education. When the current sheriff took office on January 5, 2015 a new drug fund bank account was opened. During 2015, receipts totaled \$29,899 and disbursements totaled \$29,895. As of December 31, 2015 the drug fund balance was \$4.

During calendar year 2015, the drug fund supplemented the fee account in the amount of \$13,275 to assist with operating disbursements, purchased vehicles totaling \$16,500, and had miscellaneous disbursements of \$120. On April 19, 2016 the sheriff's fee account reimbursed the drug fund in the amount of \$26,050, which is unallowable. As of the audit date, the drug fund owes the \$26,050 back to the fee account. The financial statement and excess fees reflects the monies due back to the fee account.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tommy Willett, Monroe County Judge/Executive
The Honorable Dale Ford, Monroe County Sheriff
Members of the Monroe County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Monroe County Sheriff for the period January 5, 2015 through December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated November 21, 2016. The Monroe County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Monroe County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Monroe County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Monroe County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-002, 2015-003, and 2015-005 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Internal Control over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying comments and recommendations as item 2015-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Monroe County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-001, 2015-003, 2015-004, and 2015-005.

Sheriff's Responses to Findings

The Monroe County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The Monroe County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

November 21, 2016

COMMENTS AND RECOMMENDATIONS

MONROE COUNTY
DALE FORD, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period January 5, 2015 Through December 31, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Monroe County Sheriff's Office Did Not Make Daily Deposits

Receipts were not deposited daily during calendar year 2015. For the first six months of the year, very few bank deposits were made. For example, the following table shows the number of deposits made during each month indicated:

January 2015	Four deposits made
February 2015	Five deposits made
March 2015	Four deposits made
April 2015	Three deposits made
May 2015	One deposit made
June 2015	Two deposits made

The current bookkeeper started employment with the sheriff's office in July 2015 and the deposits became more regular. However, the following was noted in September:

The week of September 13, 2015 through September 20, 2015 was tested. Three deposits were made during this test period. The three deposits included collections of up to five day's receipts. The deposit made on September 14, 2015 included receipts collected from September 9, 2015 through September 14, 2015. The deposit made on September 21, 2015 included receipts collected from September 16, 2015 through September 21, 2015.

The sheriff lacked adequate internal controls over the receipts process and did not provide adequate oversight over this area. By not making daily deposits, the funds are more susceptible to theft or loss. In addition, since only two bank deposits were made in June 2015, the bank account was overdrawn on six separate days during the month.

The *County Budget Preparation and State Local Finance Officer Policy Manual* sets forth the minimum requirements for handling public funds pursuant to KRS 68.210, which include "daily deposits intact into a federally insured banking institution."

We recommend the sheriff implement procedures to ensure receipts are deposited daily in order to meet the requirements established by the *County Budget Preparation and State Local Finance Officer Policy Manual*.

Sheriff's Response: Sometimes its [sic] hard to get to the bank daily for deposits due to one person running the office and cannot leave.

MONROE COUNTY
DALE FORD, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 5, 2015 Through December 31, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-002 The Monroe County Sheriff's Office Lacks Adequate Segregation Of Duties

The Monroe County Sheriff's office lacks adequate segregation of duties over receipts, disbursements, and the reconciliation process. The sheriff's bookkeeper collects payments from customers, prepares deposits, writes and signs disbursement checks, posts transactions to both the receipts and disbursements ledgers, reconciles the monthly bank statements, and prepares all monthly and quarterly reports.

The sheriff's office has a limited budget which restricts the number of employees and prevents a proper segregation of duties. The sheriff has documented compensating controls, but they were not operating effectively and did not properly mitigate the effects of the lack of segregation of duties. The internal controls in place were ineffective because, despite evidence that the sheriff reviewed all documents, internal control issues still existed. These internal controls issues included receipts not being deposited daily, negative bank balances during June 2015, bank reconciliations not completed until July 2015 for the months of January through June 2015, disbursements paid late, and missing supporting documentation for disbursements.

Without proper segregation of duties, undetected misappropriation of assets or inaccurate financial reporting could occur.

To adequately protect assets from misappropriation and inaccurate financial reporting, duties involving the preparation of receipts, disbursements, and reconciliations should be separated. In accordance with AU-C 265 (Communicating Internal Controls Related Matters Identified In An Audit), we have evaluated the severity of this risk in combination with the documented compensating controls, to determine whether the compensating controls operate at a level of precision, that when considering the possibility of any further undetected misstatements, would provide prevention or detection of a misstatement that is more inconsequential or material to the financial statement. Based on this evaluation, we conclude the documented compensating controls are not sufficient to offset the lack of segregation of duties. See comments 2015-001 and 2015-003.

The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and preparing monthly and quarterly financial reports. If this is not feasible due to a limited budget, cross-checking procedures could be implemented and documented by the individual performing the procedure. However, it is imperative that the individual performing the cross-checking procedures ensure that all information is accurate before initialing the documentation, thus ensuring the compensating controls are operating effectively.

Sheriff's Response: No response.

MONROE COUNTY
 DALE FORD, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Period January 5, 2015 Through December 31, 2015
 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-003 The Monroe County Sheriff Had \$241 In Disallowed Disbursements

Ten monthly gasoline credit card statements were tested and late payments were noted for five of the ten statements tested. Due to the late payments, finance charges of \$241 were paid from the sheriff's fee account.

Paying penalties and late charges, which are not necessary or beneficial to the public, reduces the amount of operating funds for the sheriff's office, or reduces the amount of excess fees paid to fiscal court, or both.

Good internal controls dictate the sheriff monitor disbursements to ensure compliance with state laws and regulations and to ensure payments are made timely to avoid finance charges. In Funk vs. Milliken, 317 S.W. 2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' disbursements of public funds will be allowable only if the disbursements are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal in nature. The finance charges were not necessary expenses of the office and not beneficial to the public, thus the finance charges are disallowed disbursements.

We recommend the sheriff's office ensure all disbursements are for official purposes, necessary, and beneficial to the public. In addition, we recommend the sheriff deposit personal funds in the amount of \$241 into his 2015 fee account to cover the disallowed finance charges.

Sheriff's Response: Prior bookkeeper [sic] did not pay bills in a timely manner or bills may have been missed accidentally [sic]. \$241.00 was reimbursed to fee acct. 11-21-16.

2015-004 The Monroe County Sheriff's Office Was Reimbursed For Court Security And Transporting Prisoners Simultaneously

The Sheriff's Monthly Fee Claim Summary and the Conveying Felony Prisoners From One County To Another County forms for September, October, and November 2015 were reviewed during audit testing. It appears a Court Security Officer (CSO) transported prisoners to and from other counties during hours claimed as court security. The sheriff's office is not allowed to receive double reimbursement for the CSO's court security hours and transporting. The CSO's timesheets for the reviewed months showed the CSO working as court security officer from 08:00 until 16:00 (8:00am - 4:00pm). The timesheets were all signed by the CSO and initialed by the sheriff.

There were three instances noted during the three months tested.

- On September 16, 2015, the CSO transported two inmates from the Barren County Jail to the Monroe County Jail. Per the log, the inmates were released to the CSO at 14:00 (2:00pm), which is during hours claimed as court security. The sheriff's office was reimbursed by the Finance and Administration Cabinet (FAC) \$67 for transporting the two inmates while simultaneously being reimbursed \$9 per hour for the CSO's time providing court security when the CSO was not physically present in the court room.
- On November 3, 2015, the CSO transported two inmates from the Monroe County Jail to the Christian County Jail. Per the log, the inmates were received at the Christian County Jail at 14:30 (2:30pm), which is during hours the CSO claimed as court security. The sheriff's office was reimbursed \$320 by FAC for transporting the two inmates while simultaneously being reimbursed \$9 per hour for the CSO's time providing court security when the CSO was not physically present in the court room.

MONROE COUNTY
DALE FORD, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 5, 2015 Through December 31, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-004 The Monroe County Sheriff's Office Was Reimbursed For Court Security And Transporting Prisoners Simultaneously (Continued)

- On November 9, 2015, the CSO transported an inmate from the Barren County Jail to Monroe County for a court appearance. A time of 18:58 (6:58pm) was listed as leaving Barren County, which is after hours claimed as court security (16:00) duty. However, on November 10, 2015 the CSO transported the inmate back to Barren County from Monroe County with a Barren County received time of 15:25 (3:25pm), which is during the hours claimed by the CSO as court security. The sheriff's office was reimbursed \$32 by FAC for transporting the inmate, while simultaneously being reimbursed \$9 per hour for the CSO's time providing court security when the CSO was not physically present in the court room.

The sheriff stated that he was unaware that this practice was not allowed and it would cease immediately.

By claiming the transporting costs during the hours claimed as court security, the sheriff's office received double reimbursement for the officer's time.

KRS 64.092 states: "Compensation of sheriffs and other law enforcement officers or agencies for attending court shall be as follows: (1) Compensation shall be provided only for the actual time for which the sheriff or other officer is ordered to be physically present in the courtroom or is ordered to be physically present to discharge a duty ordered by the Chief Circuit Judge, Chief District Judge, or Judge of the Court of Appeals, as appropriate... (3) Where a single sheriff or other law enforcement officer serves more than one (1) court or courtroom during a single day, he shall be paid as if he had served only one (1) courtroom during that day. Dual compensation for service during a single day shall not be permitted. (4) Time, for compensation purposes, shall be computed as the actual time spent in the courtroom pursuant to court direction or order and the actual time spent in other service to the court as directed and ordered by the appropriate judge." This statute is also cited in the Finance and Administration Cabinet's (FAC) *Sheriff Fee Claim Manual*.

We recommend the sheriff ensure compliance with KRS 64.092 and the FAC *Sheriff's Fee Claim Manual*. The sheriff's office cannot be reimbursed both for time on court security and transporting inmates that occurred simultaneously.

Sheriff's Response: Sheriff and bookkeeper [sic] were unaware of how the reimbursements [sic] and did not know the security office [sic] were double paid during transports.

2015-005 The Monroe County Sheriff's Office Does Not Have Proper Internal Controls Over Vehicle Inventory

The sheriff's office did not have accurate documentation on file with the fiscal court regarding the sheriff's office current vehicle inventory. The county treasurer stated she was unaware of all vehicles the sheriff had bought, sold, or traded during the past year and did not have an updated list. The sheriff's office did not follow appropriate statutes and Department for Local Government guidelines regarding disposal of county property.

MONROE COUNTY
DALE FORD, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 5, 2015 Through December 31, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-005 The Monroe County Sheriff's Office Does Not Have Proper Internal Controls Over Vehicle Inventory
(Continued)

The following vehicle transactions occurred during calendar year 2015:

- On February 19, 2015, a 2002 Ford Crown Victoria title was junked. There was no documentation in the fiscal court minutes of fiscal court's approval to surplus the vehicle.
- A 1998 Ford Crown Victoria was sold to a constable without following proper disposal procedures. There was no documentation in the fiscal court minutes that the fiscal court approved to surplus the vehicle. In addition, the vehicle was not sold in accordance with KRS 67.0802.
- On September 16, 2015, two vehicles were traded to a constable in exchange for \$1,000 and a SUV without following proper disposal procedures. Fiscal court minutes reflect that on February 19, 2015 the fiscal court approved the sheriff to trade two vehicles for one. No vehicle identification numbers were listed for the vehicles. Due to lack of detail in the fiscal court minutes, it is unclear if the fiscal court approved the transaction. There wasn't adequate documentation for this disbursement until it was requested and prepared during audit testing of disbursements.
- On April 15, 2015, two Ford Crown Victoria's were traded to a constable in exchange for \$2,500 and a Yukon without following proper disposal procedures. The sheriff was not able to verify the vehicle identification numbers of the two vehicles traded in this transaction and the numbers could not be determined from reviewing vehicle files. Fiscal court minutes on April 16, 2015 document that the fiscal court approved the sheriff to trade a Jeep for a 2001 Yukon. Since a Jeep was not traded it is unclear if the fiscal court approved this transaction.
- While reviewing documentation for the calendar year 2015 audit, it was noted that on September 28, 2016 the sheriff junked titles for both a 1998 and 2002 Ford Crown Victoria without following proper disposal procedures. There was no documentation in the fiscal court minutes that the fiscal court approved to surplus the vehicles. Also, titles were junked after the auditor made inquiries of the sheriff's vehicle inventory.

The improper procedures for these transactions occurred due to lack of internal controls and oversight by the sheriff.

Due to the improper procedures, the fiscal court did not have an accurate listing of vehicles and the sheriff was in non-compliance with applicable guidelines and statutes. Accurate property records are essential to ensure adequate and accurate insurance coverage. County property may be lost or more susceptible to theft unless internal control is maintained.

The *County Budget Preparation and State Local Finance Officer Policy Manual* states, "[f]or purposes of internal control, a fixed asset inventory listing must be maintained for all asset purchases/donations above a reasonable dollar amount, and have a useful life of greater than one year . . . The asset inventory listing should be updated for all additions, disposals, and property location changes, etc. . . ." In addition, the manual states, "[a]dequate fixed asset records provide the information necessary to: 1. Report the cost or other basis of valuation [,] 2. Determine the accuracy of insurance coverage [,] 3. Maintain control of county property [, and] 4. Long range planning for property placement."

MONROE COUNTY
DALE FORD, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 5, 2015 Through December 31, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-005 The Monroe County Sheriff's Office Does Not Have Proper Internal Controls Over Vehicle Inventory
(Continued)

KRS 67.0802 states, in part, “[b]efore selling or otherwise disposing of any real or personal property, the county shall make a written determination setting forth and fully describing: (a) The real or personal property; (b) Its intended use at the time of acquisition; (c) The reasons why it is in the public interest to dispose of it; and (d) The method of disposition to be used. (3) Real or personal property may be: (a) Transferred, with or without compensation to another governmental agency; (b) Sold at public auction following publication of the auction in accordance with KRS 424.130(1)(b); (c) Sold by electronic auction following publication of the auction. . .(d) Sold by sealed bids in accordance with the procedure for sealed bids under KRS 45A.365(3) and (4). (4) If a county receives no bids for real or personal property, either at a public or electronic auction or by sealed bid, the property may be disposed of, consistent with the public interest, in any manner deemed appropriate by the county. In those instances, a written description of the property, the method of disposal, and the amount of compensation, if any, shall be made.”

We recommend the sheriff follow the guidelines for vehicle disposal in order to ensure compliance with applicable statutes. The fiscal court should always have an up to date listing of the sheriff's vehicle inventory for liability and insurance purposes and should always approve of any appropriate disposals.

Sheriff's Response: We were under the impression that the fiscal court kept all these records since ins. and regist. went through them.

