REPORT OF THE AUDIT OF THE FLOYD COUNTY SHERIFF

For The Year Ended
December 31, 2015

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EXECUTIVE SUMMARY

AUDIT OF THE
FLOYD COUNTY SHERIFF

For The Year Ended
December 31, 2015

The Auditor of Public Accounts has completed the Floyd County Sheriff's audit for the year ended 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.

Report Comments:

2015-001 The Sheriff Did Not Require The Depository Institution To Pledge Or Provide Additional Collateral Of $87,766 And The Sheriff Did Not Enter Into A Written Agreement To Protect Deposits
2015-002 The Sheriff's Office Did Not Maintain Sufficient Payroll Records Or Calculate Compensatory Leave Correctly

Deposits:

The sheriff's deposits as of December 11, 2015, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured $87,766

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Benjamin L. Hale, Floyd County Judge/Executive
The Honorable John P. Hunt, Floyd County Sheriff
Members of the Floyd 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 Floyd County, Kentucky, for the year ended 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 Benjamin L. Hale, Floyd County Judge/Executive
The Honorable John P. Hunt, Floyd County Sheriff
Members of the Floyd 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 Floyd 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 Floyd 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 Floyd County Sheriff for the year ended 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 May 18, 2017, on our consideration of the Floyd 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 Benjamin L. Hale, Floyd County Judge/Executive
The Honorable John P. Hunt, Floyd County Sheriff
Members of the Floyd County Fiscal Court

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 Sheriff Did Not Require The Depository Institution To Pledge Or Provide Additional Collateral Of $87,766 And The Sheriff Did Not Enter Into A Written Agreement To Protect Deposits
2015-002 The Sheriff's Office Did Not Maintain Sufficient Payroll Records or Calculate Compensatory Leave Correctly

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

May 18, 2017

FLOYD COUNTY
JOHN P. HUNT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts		
Federal - Lake Patrol		$ 24,998
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		26,105
State Fees For Services:		
Finance and Administration Cabinet	$ 142,374	
Sheriff Security Service	11,016	153,390
Circuit Court Clerk - Fines and Fees Collected		14,326
Fiscal Court		60,581
County Clerk - Delinquent Taxes		164,809
Commission On Taxes Collected		571,806
Fees Collected For Services:		
Auto Inspections	9,625	
Accident and Police Reports	3,269	
Serving Papers	59,853	
Carrying Concealed Deadly Weapon Permits	12,977	
School Deputy	25,000	110,724
Other:		
Add-On Fees	61,912	
Safe Haven - Court Ordered Services	25,540	
Inmate Transportation	11,518	
Domestic Violence	25,951	
Health Insurance Reimbursement	4,951	
Sales of Surplus Property	5,850	
Miscellaneous	1,600	137,322
Interest Earned		659
Borrowed Money:		
State Advancement		92,000
Total Receipts		1,356,720

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

FLOYD COUNTY
JOHN P. HUNT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2015
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:		
Personnel Services-		
Deputies' Salaries	$	428,625
Part-Time Salaries		106,833
KLEFPF Salaries		23,143
Employee Benefits-		
Employer's Share Social Security		50,294
Employer's Share Retirement		69,452
Employer's Unemployment Insurance		3,820
Employer Paid Health Insurance		127,957
Contracted Services-		
Management Consulting		38,125
Contract Labor		5,257
Dispatch Services		25,000
Advertising		150
Transportation of Inmates		1,034
Training and Certifications		2,852
Information Technology		8,855
Drug Testing		305
Materials and Supplies-		
Office Materials and Supplies		11,671
Uniforms		36,042
Police Equipment		14,712
Auto Expense-		
Gasoline		59,580
Maintenance and Repairs		37,640
Other Charges-		
Conventions and Travel		2,704
Dues		1,197
Postage		1,578
Telephone		8,843
Utilities		1,341
Fiscal Court Fees		3,370
Miscellaneous		1,478

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

FLOYD COUNTY
JOHN P. HUNT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2015
(Continued)

Disbursements (Continued)			
Operating Disbursements and Capital Outlay: (Continued)			
Capital Outlay-			
Office Equipment	$ 15,661		
Vehicles	57,000	$ 1,144,519	
Debt Service:			
State Advancement	92,000		
Vehicle Lease	19,500	111,500	
Total Disbursements			$ 1,256,019
Net Receipts			100,701
Less: Statutory Maximum			88,663
Excess Fees			12,038
Less: Training Incentive Benefit			2,948
Excess Fees Due County for 2015			9,090
Payments to Fiscal Court - February 17, 2016			9,000
Balance Due Fiscal Court at Completion of Audit			$ 90

FLOYD 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).

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, 2013, 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.

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%

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.

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 Floyd 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(4), 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. These requirements were not met, as the sheriff did not have a written agreement with the bank.

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 Floyd 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. On December 11, 2015, the sheriff's bank balance was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured $87,766

Note 4. Lease Agreement

The Floyd County Sheriff's office was committed to a lease agreement for a Chevrolet Tahoe. The agreement requires an annual payment of $19,500 for three years to be completed on December 30, 2016. The total remaining balance of the agreement was $19,500 as of December 31, 2015.

Note 5. Drug Abuse Resistance Education Program Account

The Floyd County Sheriff maintains an account for Drug Abuse Resistance Education (DARE) program money. This money is to be used for drug education. The beginning balance in this account was $4,217. During 2015, the sheriff's office received $2 in interest. During the year, $1,011 was expended for allowable purposes, leaving a balance of $3,208 as of December 31, 2015.

Note 6. Drug Forfeiture Account

The Floyd County Sheriff maintains a drug forfeiture account. This account is funded by proceeds from the confiscation, surrender or sale of real personal property involved in a drug-related convictions. The beginning balance in this account was $5,171. During 2015, the sheriff's office received $4,945 in receipts and interest. During the year, $8,710 was expended for allowable purposes, leaving a balance of $1,406 as of December 31, 2015.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts

The sheriff deposited unrefundable duplicate payments and unexplained receipts in an interest-bearing account. The sheriff maintains one escrow account for payments, the amount was as follows:

- 2015 $319

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110.

Note 8. Federal - Lake Patrol

The Floyd County Sheriff's office entered into an agreement with the U.S. Army Corps of Engineers to provide patrol services at Dewey Lake. The cost of the patrols for 2015 was $24,998.

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 Benjamin L. Hale, Floyd County Judge/Executive
The Honorable John P. Hunt, Floyd County Sheriff
Members of the Floyd 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 Floyd County Sheriff for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated May 18, 2017. The Floyd 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 Floyd 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 Floyd County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Floyd County Sheriff's internal control.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Floyd 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 and 2015-002.

Sheriff's Responses to Findings

The Floyd County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The Floyd 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

May 18, 2017

COMMENTS AND RECOMMENDATIONS

FLOYD COUNTY
JOHN P. HUNT, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

STATE LAWS AND REGULATIONS:

2015-001 The Sheriff Did Not Require the Depository Institution To Pledge Or Provide Additional Collateral Of $87,766 And The Sheriff Did Not Enter Into A Written Agreement To Protect Deposits

On December 11, 2015, the sheriff's deposits of public funds were uninsured and unsecured in the amount of $87,766.

The depository institution failed to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. Furthermore, the sheriff did not enter into a written agreement with the depository institution to secure the sheriff's interest in the collateral pledged or provided by the depository institution.

Without having a pledge or collateral sufficient to secure deposits at all times or a written agreement to secure an interest in the collateral pledged or provided, the sheriff exposed his official account to a potential loss of $87,766.

According to KRS 66.480(1)(d) and KRS 41.240, financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the $250,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). In addition, in order for the written agreement to be recognized as valid with the FDIC, federal law, 12 U.S.C.A. § 1823(e), states the agreement should be (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.

We recommend the sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the sheriff enter into a written agreement with the depository institution to secure the sheriff's interest in the collateral pledged or provided by the depository institution.

Sheriff's Response: The Sheriff's office now contacts the bank directly to ensure the pledges are adequate and receives a written verification for account.

2015-002 The Sheriff's Office Did Not Maintain Sufficient Payroll Records Or Calculate Compensatory Leave Correctly

Our payroll tests revealed the following:

- The report that accounted for the sheriff's employees compensatory leave balances was deleted. Therefore, the sheriff did not know the beginning employee compensatory leave balances. We recapped and reviewed the time sheets of two employees for the entire calendar year 2015 to determine if the employees had a sufficient balance for the compensatory leave taken. The results of our procedures revealed that two employees used 23 and 45 hours more than earned, respectively. We could not include beginning balances in our computation because they were not available.
- Review of an employee's time sheet revealed the employee earned 25 hours of compensatory leave during one work week that was not calculated at the one and one half rate. Based on 25 hours of overtime earned, the employee should have had 37.5 hours added to his balance. The time sheet only reflected 17 hours earned.

2015-002 The Sheriff's Office Did Not Maintain Sufficient Payroll Records Or Calculate Compensatory Leave Correctly (Continued)

- During our review of the time sheets above, we noted compensatory time earned was arbitrarily converted to personal time for the employee by the payroll administrator. There are no federal or state laws, or provisions in the county's administrative code that allow for the conversion of compensatory time earned to personal time. In addition, the sheriff did not have an established policy to address this issue.

The sheriff did not provide sufficient oversight over the preservation of employee compensatory leave balances. Furthermore, the sheriff was unaware of the requirements of KRS 337.285. In addition, the sheriff did not properly review the time sheets prepared even though he initialed each one indicating a proper review had been performed.

Employees with beginning compensatory leave balances did not receive the benefit of the balance that would have accrued to them for calendar year 2015. Furthermore, employees' overtime is not being calculated correctly because the sheriff is not following the requirements of KRS 337.285.

KRS 337.285 requires employees to be compensated for hours worked in excess of 40 per week at a rate of one and one-half times the hourly wage rate. In addition, proper procedures should be in place to preserve payroll reports that compile compensatory leave balances. Without accurate balances, the sheriff cannot determine if employees have reached the accrued compensatory time limits as set out in KRS 337.285.

We recommend the sheriff establish the procedures needed to protect and preserve all payroll reports relating to leave balances. In addition, we recommend the sheriff comply with KRS 337.285 as it applies to calculating overtime. Furthermore, we recommend the sheriff develop a policy for his office that addresses the practice of converting compensatory time earned to personal time. These matters will be referred to the Kentucky Labor Cabinet's Division of Wages, Hours, and Mediation for further review.

Sheriff's Response: Comp time was maintained by payroll clerk per payroll period. At year end, comp time was depleted and showed balance of zero hours. Auditor has requested a running balance to review each pay period and that is now our policy. Employees also sign to determine comp time/overtime per pay period.

<u>Auditor Reply:</u>

The sheriff did not provide auditors with reports showing beginning compensatory leave balances.