

**REPORT OF THE AUDIT OF THE
LESLIE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2016**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jimmy Sizemore, Leslie County Judge/Executive
The Honorable Delano Huff, Leslie County Sheriff
Members of the Leslie 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 Leslie County, Kentucky, for the year ended December 31, 2016, 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 and budget laws. 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 Jimmy Sizemore, Leslie County Judge/Executive
 The Honorable Delano Huff, Leslie County Sheriff
 Members of the Leslie 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 Leslie 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 Leslie County Sheriff, as of December 31, 2016, 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 Leslie County Sheriff for the year ended December 31, 2016, 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 August 31, 2017, on our consideration of the Leslie County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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

- 2016-001 The Leslie County Sheriff's Quarterly Report Was Materially Misstated
- 2016-002 The Leslie County Sheriff's Office Did Not Issue Receipts For All Auto Inspections
- 2016-003 The Leslie County Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2016-004 The Leslie County Sheriff's Office Lacks Internal Controls Over Payroll Which Resulted In Disallowed Overtime Costs Of \$7,887

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

August 31, 2017

LESLIE COUNTY
 DELANO HUFF, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

Federal Grants		\$ 14,969
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		5,746
State Fees For Services:		
Sheriff Security Service	\$ 1,318	
State Fees	<u>3,966</u>	5,284
Circuit Court Clerk:		
Fines and Fees Collected		1,524
Fiscal Court		250
County Clerk - Delinquent Taxes		20,922
Commission On Taxes Collected		149,004
Fees Collected For Services:		
Auto Inspections	1,861	
Accident and Police Reports	474	
Arrest Fees	705	
Serving Papers	9,020	
Carry Concealed Deadly Weapon Permits	2,920	
AOC Fees	<u>2,294</u>	17,274
Other:		
Telecommunications Commissions	3,074	
Reimbursements	412	
Miscellaneous	366	
Add-on Fees	<u>43,106</u>	46,958
Borrowed Money:		
State Advancement		30,000
Total Receipts		291,931

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

LESLIE COUNTY
 DELANO HUFF, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2016
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	97,631	
Other Salaries		43,053	
Overtime		4,886	

Employee Benefits-

Employer's Share Retirement		861	
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Materials and Supplies-

Office Materials and Supplies		1,978	
Equipment		144	

Auto Expense-

Maintenance and Repairs		5,999	
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Other Charges-

Dues		443	
Postage		327	
Data expense		4,008	
Lab Testing		24	
Transport		990	
Service Charge		105	
Reimbursements		1,125	
Miscellaneous		13,309	
Administrative Office of the Courts		2,319	

Capital Outlay-

Office Equipment		2,395	\$ 179,597
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Debt Service:

State Advancement			30,000
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Total Disbursements

\$ 209,597

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

LESLIE COUNTY
DELANO HUFF, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2016
(Continued)

Less: Disallowed Disbursements	<u>\$ 7,887</u>
Total Allowable Disbursements	<u>201,710</u>
Net Receipts	90,221
Less: Statutory Maximum	<u>79,386</u>
Excess Fees Due Fiscal Court At Completion Of Audit	<u>\$ 10,835</u>

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

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2016

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 2016 services
- Reimbursements for 2016 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2016

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).

LESLIE COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2016
 (Continued)

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

The county official and employees have elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is 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 be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

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. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute 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 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.

The county's contribution rate for nonhazardous employees was 17.06 percent for the first six months and 18.68 percent for the last six months.

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%

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2016
(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 Leslie 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 Leslie 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, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease Agreement

The Leslie County Sheriff's office was committed to a lease agreement for a copier. The agreement requires a monthly payment of \$199 for 36 months to be completed on September 1, 2018. The total remaining balance of the agreement was \$3,992 as of December 31, 2016.

Note 5. Federal Grant

The Leslie County Sheriff's office entered into a cooperative agreement with the U.S. Army Corps of Engineers for law enforcement service at Buckhorn Lake for the period May 1, 2016 through September 30, 2016. The sheriff received payroll reimbursements totaling \$14,969 during the calendar year.

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*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jimmy Sizemore, Leslie County Judge/Executive
The Honorable Delano Huff, Leslie County Sheriff
Members of the Leslie 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 Leslie County Sheriff for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated August 31, 2017. The Leslie 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 Leslie 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 Leslie County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Leslie County Sheriff's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Schedule of Findings and Responses as items 2016-001, 2016-003, and 2016-004 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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Leslie 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 Schedule of Findings and Responses as items 2016-001 and 2016-002.

Views of Responsible Official and Planned Corrective Action

The Leslie County Sheriff's views and planned corrective action to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The 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

August 31, 2017

SCHEDULE OF FINDINGS AND RESPONSES

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LESLIE COUNTY
 DELANO HUFF, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Leslie County Sheriff's Quarterly Report Was Materially Misstated

The sheriff's fourth quarter report was not an accurate representation of the financial activity of the sheriff's office for calendar year 2016. Multiple items were incorrectly classified and had to be adjusted to correct account classifications in order for the report to be accurate. In total, the receipts were misstated by \$102,518 and the disbursements were misstated by \$74,658. The fourth quarter report should accurately detail all of the fees collected and disbursed from the sheriff's fee account.

Due to lack of training, the sheriff's bookkeeper did not accurately post transactions to correct line items in the bookkeeping software. As a result, the fourth quarter report was inaccurate.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the State Local Finance Officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. These minimum accounting and reporting standards include preparation of an annual financial statement. Furthermore, good internal controls dictate sufficient training for accounting staff.

We recommend the sheriff implement internal controls to ensure all postings to the bookkeeping software are accurate and review the fourth quarter financial report for accuracy.

Sheriff's Response: The sheriff did not provide a response.

2016-002 The Leslie County Sheriff's Office Did Not Issue Receipts For All Auto Inspections

The sheriff's office collects fees for inspecting vehicles during the title application process. These funds should be deposited into the sheriff's official account and used for the official purposes of the office. During a two-month period, the sheriff's employees collected a total of \$65 in auto inspection fees, but did not deposit the fees into the official bank account.

The sheriff's office lack of internal controls over the receipt process allowed auto inspections to be performed without issuing receipts to customers and without these funds being deposited.

The sheriff's office did not deposit \$65 into the fee account for the months July and August 2016 for auto inspections performed.

KRS 186A.115(2)(b) affixes the fee for automobile inspections at \$5, payable to the sheriff's office. In addition KRS 64.840(1) states "all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer[.]"

The sheriff's office should have collected an additional \$65 for auto inspections. We recommend the sheriff deposit personal funds of \$65 to the 2016 fee account for these auto inspections. The sheriff should implement controls to ensure that all receipts of the office are promptly deposited into the fee account.

LESLIE COUNTY
 DELANO HUFF, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 (CONTINUED)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Leslie County Sheriff's Office Did Not Issue Receipts For All Auto Inspections (Continued)

Sheriff's Response: In response to the item regarding the absence of receipts for all vehicle inspections: Several of the vehicles in this county are purchased from one of 3 dealerships in Perry Co. All out of state vehicles purchased at these three dealerships are inspected at their respective lots and are done by the sheriff's office of that county (prior to being purchased). This can be confirmed by the county clerk. It is the response of the sheriff that ALL [sic] inspections performed by the Leslie County Sheriff's office is accounted for with a receipt.

Auditor's Reply: The auto inspections were performed by the Leslie County Sheriff's office, and the fees should have been deposited into the sheriff's fee account.

2016-003 The Leslie County Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

This is a repeat finding and was included in the prior year audit report as finding 2015-001. The sheriff's office lacks adequate segregation of duties over receipts, disbursements, and bank reconciliations. Deputy clerks may collect and issue receipts, prepare the daily checkout sheet, and prepare the daily deposit. The bookkeeper may also prepare the daily checkout sheet, post to the receipts ledger, prepare and sign disbursements, and prepare the monthly bank reconciliations.

According to the sheriff, the lack of adequate segregation of duties within the sheriff's office was the result of limited staff size which prevented the sheriff from segregating accounting duties to different individuals within the sheriff's office.

A lack of segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, and recording receipts and disbursements, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff, or his designee, implement compensating controls to limit the severity of the lack of adequate segregation of duties. Examples of compensating controls include:

- The sheriff or his designee could periodically recount and deposit cash receipts. This review could be documented by initialing the daily checkout sheet and deposit ticket.
- The sheriff could review supporting documentation for all disbursements. This review could be documented by initialing the invoice.
- The sheriff could require two signatures on all checks, one belonging to the sheriff.
- The sheriff could receive bank statements unopened, and review for any unusual items prior to giving them to the individual performing the bank reconciliations.

Sheriff's Response: The sheriff did not provide a response.

LESLIE COUNTY
 DELANO HUFF, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 (CONTINUED)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Leslie County Sheriff's Office Lacks Internal Controls Over Payroll Which Resulted In Disallowed Overtime Costs Of \$7,887

The sheriff is responsible for funding the payroll for his office. Each employee is responsible for preparing their own timesheets and submitting them to the sheriff for approval. After the sheriff approves timesheets, they are delivered to the county treasurer for payroll processing. The county treasurer processes payroll for the sheriff's office and the sheriff will remit payment for gross wages to the county treasurer. During calendar year 2016, the following was noted:

- Twenty-nine timesheets submitted to the county treasurer had signatures that the sheriff stated were not his.
- Two employees submitted timesheets that contained two 30-hour work days, which resulted in 60 hours of overtime for each employee. The sheriff stated that he only approved 8 hours of overtime for each employee.
- When comparing timesheets retained by the sheriff's office to the timesheets used by the county treasurer for payroll processing, timesheets for two employees appear to have been altered to include an additional 15 hours of overtime each.
- Two employees were paid for working numerous Saturdays and Sundays throughout the year when the sheriff states that the sheriff's office was rarely open on weekends.
- Two employees were paid a total of \$9,093, claiming a combined 594 hours of overtime, for calendar year 2016. Of this, 508 hours of overtime, resulting in \$7,887 of overtime costs, are disallowed based on an interview with the sheriff and one employee in which the employee admitted to not working overtime.

The sheriff failed to implement internal controls over the payroll process. The responsibilities of the payroll calculation and approval had been delegated to an office worker. As a result, most of the overtime reported on timesheets was not worked. Invalid overtime expenses are disallowed costs from the sheriff's fee account. In addition, by paying for overtime not actually worked, the sheriff's office did not have funds to spend on necessary disbursements for the sheriff's office. These were funds that could have been used by the sheriff's office for valid expenses during the year, such as law enforcement.

Good internal controls require that timesheets accurately reflect time actually worked by an employee, and that timesheets are reviewed and approved by the sheriff. In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Therefore, payroll should be adequately documented and necessary to operation of the office.

We recommend the sheriff implement procedures to review timesheets and document his approval by signature. Furthermore, the sheriff should deliver the timesheets directly to the person processing timesheets to ensure that timesheets cannot be manipulated after approval of the sheriff. The sheriff is responsible for ensuring these disallowed funds are deposited into the 2016 fee account. This finding will be referred to the Kentucky Office of the Attorney General and the Kentucky State Police.

Sheriff's Response: The sheriff did not provide a response.