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Harmon Releases Audit of Monroe County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Monroe County Sheriff Dale Ford. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements, and excess fees of the Monroe County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

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.

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 control 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.

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.

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.
- 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.”

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.

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.

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 noncompliance 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.”

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.

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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