

**REPORT OF THE AUDIT OF THE
POWELL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2014**



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

For The Year Ended
December 31, 2014

The Auditor of Public Accounts has completed the Powell County Sheriff's audit for the year ended December 31, 2014. 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:

As of December 31, 2014, the sheriff had excess fees of \$17,998, receipts of \$437,349, and disbursements of \$419,351.

Debt Obligations:

Capital lease principal agreements totaled \$2,302 as of December 31, 2014. Future principal and interest payments of \$2,302 are needed to meet these obligations.

Report Comments:

- 2014-001 The Sheriff Was Not Involved In The Daily Activities Of His Office
- 2014-002 The Sheriff's Office Lacks Adequate Segregation Of Duties
- 2014-003 The Sheriff Did Not Settle His 2014 Fee Account Or Present A Final Settlement To Fiscal Court
- 2014-004 The Sheriff Has Not Settled His 2013 Fee Account
- 2014-005 The Sheriff Has A Known Deficit Of \$11,449 In His 2012 Fee Account
- 2014-006 The Sheriff Lacked Adequate Controls Over Disbursements
- 2014-007 The Sheriff Had \$4,975 In Disallowed Disbursements
- 2014-008 The Sheriff Diverted Tax Collections Due To The Taxing Districts To Cover Operating Disbursements
- 2014-009 The Sheriff Did Not Pay Amounts Due Per The Copier Lease Agreement
- 2014-010 The Sheriff Did Not Pay Fiscal Court Fees Collected For The Service Of Subpoenas And Civil Summons To The Fiscal Court
- 2014-011 The Sheriff Wrote Checks On Accounts Which Had Insufficient Funds To Cover The Disbursements
- 2014-012 The Sheriff Paid Invoices As Much As Fifteen Months Late
- 2014-013 The Sheriff Lacked Adequate Controls Over Payroll
- 2014-014 The Sheriff Did Not Ensure His W-2 For Calendar Year 2014 Was Accurate
- 2014-015 The Sheriff Did Not Reimburse The County \$8,569 For Payroll Disbursements Of His Office
- 2014-016 The Sheriff Could Not Provide A Written Policy And Procedures Manual Allowing Lump Sum Payouts For Unused Vacation Leave Time
- 2014-017 The Sheriff Did Not Prepare Or Submit An Annual Asset Forfeiture Report
- 2014-018 The Sheriff Did Not Submit All Quarterly Reports To The Department For Local Government As Required
- 2014-019 The Sheriff's Final Fourth Quarterly Report Did Not Accurately Reflect Total Receipts And Total Disbursements

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James Anderson, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell 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 Powell County, Kentucky, for the year ended December 31, 2014, 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. 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 opinions.



The Honorable James Anderson, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell 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 Powell 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 Powell County Sheriff, as of December 31, 2014, 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 Powell County Sheriff for the year ended December 31, 2014, 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 10, 2016 on our consideration of the Powell 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 effectiveness of the Powell County Sheriff's 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 James Anderson, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell 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:

- 2014-001 The Sheriff Was Not Involved In The Daily Activities Of His Office
- 2014-002 The Sheriff's Office Lacks Adequate Segregation Of Duties
- 2014-003 The Sheriff Did Not Settle His 2014 Fee Account Or Present A Final Settlement To Fiscal Court
- 2014-004 The Sheriff Has Not Settled His 2013 Fee Account
- 2014-005 The Sheriff Has A Known Deficit Of \$11,449 In His 2012 Fee Account
- 2014-006 The Sheriff Lacked Adequate Controls Over Disbursements
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- 2014-017 The Sheriff Did Not Prepare Or Submit An Annual Asset Forfeiture Report
- 2014-018 The Sheriff Did Not Submit All Quarterly Reports To The Department For Local Government As Required
- 2014-019 The Sheriff's Final Fourth Quarterly Report Did Not Accurately Reflect Total Receipts And Total Disbursements

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

November 10, 2016

POWELL COUNTY
DANNY ROGERS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

Federal Grants		\$ 6,952
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		1,336
State Fees For Services:		
Finance and Administration Cabinet	\$ 54,411	
Sheriff Security Service	<u>8,343</u>	62,754
Circuit Court Clerk - Fines and Fees Collected		10,302
Fiscal Court		67,762
County Clerk - Delinquent Taxes		12,498
Commission On Taxes Collected		137,775
Fees Collected For Services:		
Auto Inspections	1,525	
Accident and Police Reports	350	
Serving Papers	22,441	
Carrying Concealed Deadly Weapon Permits	<u>3,390</u>	27,706
Other:		
Add-On Fees	25,288	
School Resource Officer Grant	58,617	
Transporting Prisoners	300	
IVD Cases	580	
Executions	330	
Miscellaneous	<u>2,857</u>	87,972
Interest Earned		442
Borrowed Money - State Advancement		<u>21,850</u>
Total Receipts		437,349

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

POWELL COUNTY
DANNY ROGERS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2014
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 148,997
School Resource Officer Salaries	36,269
KLEFPF Salaries	1,519
Overtime	15,676

Contracted Services-

Advertising	52
Vehicle Maintenance and Repairs	13,503

Materials and Supplies-

Office Materials and Supplies	8,291
Uniforms	8,885

Auto Expense-

Gasoline	49,575
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Other Charges-

Training Expenses	2,059
Dues	1,246
Postage	262
Bond	550
Blood Draws	45
Carry Conceal Deadly Weapons Licenses	135
Miscellaneous	2,642

Capital Outlay-

Office Equipment	716
Vehicles	4,550

Unpaid Obligations-

Fiscal Court - Paper Fees	3,900	
Fiscal Court - Payroll	8,569	
Copier Company - Lease Payments	733	\$ 308,174

Debt Service:

State Advancement	21,850	
Copier Lease	524	
Notes	3,885	26,259

Total Disbursements (Carried Forward)

\$ 334,433

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

POWELL COUNTY
DANNY ROGERS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2014
(Continued)

Total Disbursements (Brought Forward)		\$ 334,433
Less: Disallowed Disbursements		
Overdraft Bank Charges	\$ (851)	
Late Fees on Loan Payments	(832)	
Expenditures with Inadequate Support	(317)	
Unnecessary Items (Food, Candy, Dishes, etc.)	(651)	
Salary (Vacation Payouts - 2 Employees)	<u>(2,324)</u>	<u>(4,975)</u>
Total Allowable Disbursements		<u>329,458</u>
Net Receipts		107,891
Less: Statutory Maximum		82,131
Less: Training Incentive		<u>7,762</u>
Balance Due Fiscal Court at Completion of Audit		<u><u>\$ 17,998</u></u>

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2014

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 final 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 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014

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 the following 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).

POWELL COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2014
 (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 18.89 percent for the first six months and 17.67 percent for the last six months.

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 (members 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%

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.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 3. Deposits

The Powell 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 Powell 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, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease Agreement

The office of the sheriff was committed to a lease agreement for a copier. The agreement requires a monthly payment of \$105 for 60 months to be completed on March 11, 2016. The total remaining balance of the agreement was \$2,302 as of December 31, 2014.

Note 5. Notes Payable

On July 1, 2012, the county entered into a promissory note with a local bank to lease a 2009 Chevrolet Tahoe to use as a sheriff's cruiser. The agreement requires eleven equal monthly payments of \$910, the remaining \$16,699 to be paid in full on June 30, 2013. This note was renewed with the same requirements to be paid in full on June 30, 2014. The sheriff made final payment on this note on July 31, 2014. As of December 31, 2014, no outstanding balance remained.

Note 6. Interlocal Agreement – Powell County Board of Education

The office of the sheriff entered into an agreement with the Powell County Board of Education wherein the school system agreed to reimburse the sheriff's office for the cost of the school resource officer program and two school resource officers' salaries—a total sum of \$44,000. The sheriff received four quarterly installments of \$11,000 on or before the first day of each calendar quarter of calendar year 2014.

Note 7. Crime Stoppers In Schools

Crime Stoppers in Schools is a school-supported program to decrease crime and increase pride within the school and local community by rewarding valid sharing of information regarding criminal activity. The Powell County Sheriff's Department, Powell County Schools, and Whitaker Bank of Powell County sponsor the program. The beginning balance was \$195. There were no receipts or disbursements for calendar year 2014. The balance as of December 31, 2014 was \$195.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 8. United States Forest Service Grant

The Powell County Sheriff received \$6,952 from the United States Forest Service for patrolling. This was a reimbursement for payroll of officers patrolling the Daniel Boone National Forest.

Note 9. Asset Forfeiture Accounts

Federal Asset Forfeiture

The office of the sheriff received monies from the federal agencies for funds recovered in drug related cases. The account had a beginning balance of \$0, receipts of \$9,951, and disbursements of \$9,765. All funds received were expended for their intended purpose. The balance as of December 31, 2014 was \$186.

Non-Federal Asset Forfeiture

The office of the sheriff received monies from the local and state agencies for funds recovered in drug related cases. The account had a beginning balance of \$20,397, receipts of \$37,189 for drug forfeiture monies, receipts of \$24 for interest, and receipts of \$27,450 for sale of assets during calendar year 2014. The sheriff expended \$45,296 for allowable disbursements. The balance as of December 31, 2014 was \$39,764.

Note 10. Related Party Transactions

The office of the sheriff does business with a local garage and repair shop. The owner of this repair shop works as a special deputy for the sheriff's office.

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 James Anderson, Powell County Judge/Executive
The Honorable Danny Rogers, Powell County Sheriff
Members of the Powell 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 Powell County Sheriff for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated November 10, 2016. The Powell 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 Powell 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 Powell County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Powell 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 other deficiencies that we consider to be significant deficiencies.

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 2014-001, 2014-002, 2014-006, and 2014-019 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 deficiencies described in the accompanying comments and recommendations as items 2014-007, 2014-009, 2014-011, 2014-012, 2014-013, 2014-014, 2014-015, and 2014-016 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Powell 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 2014-003, 2014-004, 2014-005, 2014-007, 2014-008, 2014-009, 2014-010, 2014-011, 2014-012, 2014-013, 2014-015, 2014-016, 2014-017, 2014-018, and 2014-019.

Sheriff's Responses to Findings

The Powell County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The Powell 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 10, 2016

COMMENTS AND RECOMMENDATIONS

POWELL COUNTY
DANNY ROGERS, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

FINANCIAL STATEMENT FINDINGS:

2014-001 The Sheriff Was Not Involved In The Daily Activities Of His Office

The sheriff was not involved in the daily activities of his office. Numerous weaknesses in the control environment of the Powell County Sheriff's office significantly increase the risk of fraud and misappropriation of funds, and decrease the accuracy of records provided.

This condition is a result of poorly designed policies and procedures; inconsistent, incomplete, and inaccurate implementation of controls; and lack of management oversight and involvement.

The noted weaknesses, such as inadequate segregation of duties and inaccurate or incomplete financial reports and ledgers, could affect the sheriff's ability to ensure that financial data is recorded, processed, and reported in an accurate and reliable manner. This impacts the sheriff's ability to ensure that assets were sufficiently safeguarded. The cumulative effect of these control weaknesses increases the risk of material misstatement caused by error or fraud.

Management has a responsibility to design and implement internal controls that provide reasonable assurance regarding the reliability of financial reporting. Internal control is a management process for keeping an entity on course in achieving its business objectives. Internal controls should ensure resources are protected from waste, loss, and misuse and ensure reliable data is obtained, maintained, and fairly disclosed. Entities are required to establish controls to provide reasonable assurance that the recording, processing, and reporting of data is properly performed within the framework of financial management systems.

The following recommendations are supplemented by additional recommendations presented throughout this report:

- The sheriff should be more diligent in the day-to-day operations of his office by providing direct oversight of financial reporting for all receipts and disbursements.
- The sheriff should implement internal controls over the financial accounting system that ensure an adequate internal control structure, including management oversight; provides reasonable assurance that assets are safeguarded and transactions are processed in accordance with applicable laws and regulations; and transactions are recorded, reconciled, processed, and summarized to permit the preparation of reliable financial data.
- The sheriff should segregate duties so that no one person can both create and conceal fraudulent activity or commit an undetected material error.
- The sheriff should train employees to ensure that each employee understands both the activities and the accounting principles needed for their positions.
- The sheriff should implement sufficient supervisory review of key functions and activities, and ensure managers clearly understand their roles in the supervisory process. All supervisory reviews should be evidenced in writing.

Sheriff's Response: Due to my office being understaffed, I am unable to oversee every daily operation of the office. I will strive to oversee all daily operations.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-002 The Sheriff's Office Lacks Adequate Segregation Of Duties

The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities.

This condition is a result of a lack of management oversight and a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

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

Segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls, 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.

The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure.

Sheriff's Response: Will try to work on.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-003 The Sheriff Did Not Settle His 2014 Fee Account Or Present A Final Settlement To Fiscal Court

The sheriff did not settle his 2014 fee account, and he did not present a final settlement to fiscal court for his 2014 fee account. In order to settle the account, the sheriff should collect and pay the following:

Assets

Cash in Bank - Fee Account May 31, 2016	\$ 255
Cash in Bank - SRO Account May 31, 2016	6,526

Receivables:

Due from Sheriff - Disallowed Expenditures	\$ 4,975
Due from 2013 Fee - '13 Exp Pd from '14, Dep Error, Loan Pmt	17,571
Due from 2015 Fee - '15 Exp Pd from '14 Fee	<u>12,954</u>

Total Receivables	<u>35,500</u>
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Total Assets	42,281
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Liabilities

Unpaid Obligations:

Due to Fiscal Court - Paper Fees/Payroll	12,468
Due to 2013 Fee - Payroll	3,519
Due to 2013 STS - Prior Year Errors	1,614
Due to 2014 STS - Payroll & Fleet One Invoice	2,947
Due to Leasing Company	733
Due to 2015 Fee - KY Finance/SRO	2,779
Uncleared Check #1130	<u>223</u>

Total Unpaid Obligations	<u>24,283</u>
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Total Fund Balance as of December 31, 2014	<u>\$ 17,998</u>
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The failure to pay liabilities timely causes taxing districts and other governmental agencies to be deprived of funds for significant time periods. KRS 134.192 states that each sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year. A complete statement of all funds received by his or her office for official services, showing separately the total income received by his office for services rendered, exclusive of his commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes; and a complete statement of all expenditures of his or her office, including his salary, compensation of deputies and assistants, and reasonable expenses.

POWELL COUNTY
 DANNY ROGERS, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-003 The Sheriff Did Not Settle His 2014 Fee Account Or Present A Final Settlement To Fiscal Court (Continued)

We recommend the sheriff take the necessary steps to ensure the amounts above are collected and paid as soon as possible. We further recommend the sheriff settle his accounts before September 1 of each year hereafter.

Sheriff's Response: Will try to get this resolved.

2014-004 The Sheriff Has Not Settled His 2013 Fee Account

The sheriff has not settled his 2013 fee account. In order to settle the account, the sheriff should collect and pay the following:

Assets

Cash in Bank - 2013 Fee Account May 31, 2016 \$ 13,794

Receivables:

Due From 2012 Fee Account - Deposit Errors	\$ 10,043
Due From Sheriff - Overpayment of Salary	750
Due From Sheriff - Disallowed Expenditures	<u>419</u>

Total Receivables 11,212

Total Assets 25,006

Liabilities

Unpaid Obligations:

Due To 2014 Fee Account - Various Errors	7,357
Due To SRO Account - Deposit Error 1/17/14	6,695
Due To Fiscal Court - Paper Fees	<u>3,594</u>

Total Unpaid Obligations 17,646

Total Fund Balance as of December 31, 2013* \$ 7,360

*Fund balance amounts differ from amounts reported in the calendar year 2013 audit report due to activity in the account after the date of that audit report.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-004 The Sheriff Has Not Settled His 2013 Fee Account (Continued)

The failure to pay liabilities timely causes taxing districts and other governmental agencies to be deprived of funds for significant time periods. After all receivables are collected and all liabilities are paid, the sheriff will be able to close his 2013 fee account.

KRS 134.192 states that each sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year. A complete statement of all funds received by his or her office for official services, showing separately the total income received by his office for services rendered, exclusive of his commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes; and a complete statement of all expenditures of his or her office, including his salary, compensation of deputies and assistants, and reasonable expenses.

We recommend the sheriff take the necessary steps to ensure the amounts above are collected and paid as soon as possible.

Sheriff's Response: Will try to get this resolved.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-005 The Sheriff Has A Known Deficit Of \$11,449 In His 2012 Fee Account

After all known unpaid liabilities are accounted for, the sheriff has a known deficit of \$11,449 in his 2012 fee account. The amount reported as a known deficit is the result of deposit errors and disallowed disbursements as outlined in the schedule below. In order to settle the account, the sheriff should collect and pay the following:

Assets

Cash in Bank - Fee Account May 31, 2016	\$ 0
Receivables:	
Due From Sheriff - Disallowed Disbursements	<u>947</u>
Total Assets	947

Liabilities

Unpaid Obligations:	
Due To 2013 Fee Account - Deposit Errors	\$ 10,043
Due To Fiscal Court - Paper Fees	<u>2,353</u>
Total Unpaid Obligations	<u>12,396</u>
Total Fund Balance as of December 31, 2012**	<u>\$ (11,449)</u>

** Fund balance amounts differ from amounts reported in the calendar year 2012 audit report due to activity in the account after the date of that audit report.

The failure to pay liabilities timely causes taxing districts and other governmental agencies to be deprived of funds for significant time periods. After all receivables are collected and all liabilities are paid, the sheriff will be able to close his 2012 fee account.

KRS 64.820 states that “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and KRS 64.810 if the amount can be collected without suit.” In the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor’s or certified public accountant’s report.

We recommend the sheriff take the necessary steps to ensure the amounts above are collected and paid as soon as possible. This matter will be referred to the Powell County Attorney for collection.

POWELL COUNTY
 DANNY ROGERS, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-005 The Sheriff Has A Known Deficit Of \$11,449 In His 2012 Fee Account (Continued)

Sheriff's Response: There was a question as to when was told to zero out the account at the end of the year. Therefore we 2014 were not aware we had to zero out the account until 2015. We were under the impression that this was a grant and not fee money.

2014-006 The Sheriff Lacked Adequate Controls Over Disbursements

The sheriff's office lacked strong internal controls over disbursements. The lack of adequate review over disbursements and failure to adhere to the administrative policy led to multiple discrepancies.

There were no review procedures in place, as described in finding 2014-001, to eliminate or reduce errors.

Due to the lack of effective controls, numerous exceptions were noted as follows:

- 2013 disbursements paid from the 2014 fee account;
- 2015 disbursements paid from the 2014 fee account;
- Sheriff signed multiple blank checks;
- Prepayment of disbursements;
- Partial payment of disbursements;
- Non-check disbursements;
- Disallowed disbursements (see finding 2014-007);
- Unpaid obligations of the sheriff's office (see findings 2014-009, 2014-010, and 2014-015);
- Overdrawn bank balances (see finding 2014-011);
- Invoices paid as much as 15 months late (see finding 2014-012); and
- Disbursements not posted to the ledgers (see finding 2014-019).

Good internal controls dictate that adequate controls and sufficient review is necessary to reduce the risk of errors and misstatements.

We recommend the sheriff implement procedures that strengthen controls over disbursements by:

- Ensuring disbursements are paid from appropriate accounts;
- Ceasing the practice of signing blank checks;
- Ensuring there are no non-check disbursements or prepayment of expenditures;
- Ensuring all liabilities are paid in full, in a timely manner, and are for allowable disbursements; and
- Ensuring all disbursements are posted to the disbursement ledger and quarterly reports.

Sheriff's Response: Will work to improve.

POWELL COUNTY
 DANNY ROGERS, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-007 The Sheriff Had \$4,975 In Disallowed Disbursements

The sheriff expended a total of \$4,975 for the following disallowed items:

- Late fees of \$832 were paid for payments not made timely;
- Overdraft bank charges of \$851 were paid as penalties for bank accounts being overdrawn;
- A total of \$651 was paid for items that are not necessary to the operation of the office, including, but not limited to, a dutch oven, gum, candy, pizza, bagels, and cold medicine;
- A total of \$317 was paid to vendors or deputies without adequate supporting documentation; and
- A total of \$2,324 was paid to two employees for payout of vacation time (see finding 2014-016).

This condition is a result of a lack of internal controls over disbursements and payroll as described in findings 2014-006 and 2014-013. The disallowed disbursements resulted in the sheriff personally owing \$4,975 to the 2014 fee account.

In Funk v. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures 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.

We recommend that the sheriff reimburse the 2014 fee account \$4,975 from his personal funds for these disallowed disbursements. Furthermore, we recommend that the sheriff only expend funds for allowable purposes in the future.

Sheriff's Response: Will try to resolve.

2014-008 The Sheriff Diverted Tax Collections Due To The Taxing Districts To Cover Operating Disbursements

The sheriff diverted a total of \$73,969 of tax collections owed to the taxing districts to cover operating disbursements. Some taxing districts were paid as much as seven months late. All diverted funds were not repaid. There is an unpaid obligation of \$2,947 from the 2014 fee account to the 2014 tax accounts, as noted in finding 2014-003.

These funds were diverted to cover payroll and other disbursements when there were insufficient funds to cover these disbursements in the fee account.

Since the sheriff used tax collections for operating disbursements, the county, school, and other taxing districts did not receive their tax revenues timely. The tax districts rely on timely receipt of tax revenues. Late collections negatively affect their budget and cash flow.

KRS 134.160(2)(b) and (c) requires the sheriff to "maintain records that account for separate and distinct appropriations in separate and distinct accounts" and to "balance all accounts on a monthly basis unless otherwise provided by law."

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-008 The Sheriff Diverted Tax Collections Due To The Taxing Districts To Cover Operating Disbursements (Continued)

We recommend the sheriff cease diverting tax collections owed to the taxing districts to cover operating disbursements. We further recommend the sheriff remit \$2,947 to the tax accounts and pay all amounts due the taxing districts timely.

Sheriff's Response: Will try to resolve.

2014-009 The Sheriff Did Not Pay Amounts Due Per The Copier Lease Agreement

On February 24, 2011, the sheriff entered into a 60 month lease agreement for a copier/printer. The sheriff did not pay all minimum payments as required per the lease agreement. Payments for January 2014 through May 2014 were remitted on May 2, 2014. Per inquiry, no additional payments from that day to the date of the inquiry, July 1, 2016, have been made.

This condition is a result of a lack of internal controls over disbursements as described in finding 2014-006.

Failure to pay amounts due per their copier lease agreement resulted in an unpaid obligation of \$733 to the leasing company for calendar year 2014, as noted in finding 2014-003.

Per the agreement, the sheriff should remit minimum monthly lease payments in the amount of \$104 plus applicable print charges. Further, KRS 65.140 states, “[a]ll bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice” except when the purchasing agency has transmitted a rejection notice to the vendor.

In order to fulfill contractual agreements, avoid late fees and penalties, and comply with KRS 65.140, we recommend the sheriff remit payment for all leases timely. We further recommend the sheriff pay all amounts due the leasing company as soon as possible.

Sheriff's Response: Will try to resolve.

2014-010 The Sheriff Did Not Pay Fiscal Court Fees Collected For The Service Of Subpoenas And Civil Summons To The Fiscal Court

The sheriff did not pay fiscal court fees collected for serving subpoenas and civil summons for the fiscal court. During calendar year 2014, the sheriff collected \$19,541 in civil summons fees and subpoena fees. Of this amount, \$3,900 constituted fees belonging to the fiscal court. The sheriff did not pay any fiscal court fees collected for the fiscal court.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-010 The Sheriff Did Not Pay Fiscal Court Fees Collected For The Service Of Subpoenas And Civil Summons To The Fiscal Court (Continued)

The failure to pay fees timely resulted in an unpaid obligation of \$3,900 to the fiscal court, as noted in finding 2014-003. As authorized under Judicial Branch Budget Bill (HB 577) and KRS 64.091, and approved by the Powell County Fiscal Court in Ordinance 00-06-29A, an additional fee of \$10 shall be charged for the service of a subpoena and for the service of a civil summons. Amounts collected should be turned over to the fiscal court monthly.

We recommend the sheriff pay amounts due to the fiscal court monthly as required by ordinance. We further recommend the sheriff implement controls to ensure all future amounts due the fiscal court are paid timely.

Sheriff's Response: Being a fee office, we have to operate on that money. That ordinance should have never been implemented to start with.

2014-011 The Sheriff Wrote Checks On Accounts Which Had Insufficient Funds To Cover The Disbursements

The sheriff wrote cold checks on the 2014 fee and the school resource officer bank accounts. The 2014 fee bank account was overdrawn on at least 29 days of the calendar year. The school resource officer bank account was overdrawn on at least one day of calendar year 2014.

Reconciliations were being prepared, however they were not being utilized in determining available funds before checks were written. Had reconciliations been used for determining available cash balance, the fee account would not have been in the negative and overdraft charges would not have been incurred. The bank charged \$851 in overdraft penalties, which the sheriff will have to personally pay back to the fee account.

The State Local Finance Officer, under the authority of KRS 68.210, established minimum accounting requirements which include reconciling receipts to monthly bank statements.

We recommend the sheriff properly utilize bank reconciliations in order to determine the available funds in all accounts. We further recommend the sheriff reimburse the accounts a total of \$851 from his personal funds for these disallowed disbursements, as recommended in finding 2014-007.

Sheriff's Response: We will take better measures to insure that this does not happen in the future.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-012 The Sheriff Paid Invoices As Much As Fifteen Months Late

At least 66 invoices in our sample of 106 disbursements were not paid within 30 working days, with some as much as 15 months late. This condition is a result of a lack of internal controls over disbursements as described in finding 2014-006. The late payments resulted in \$832 of late fees and penalties which the sheriff will have to personally pay back.

KRS 65.140 states, “[a]ll bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice” except when the purchasing agency has transmitted a rejection notice to the vendor.

In order to avoid late fees and penalties and to comply with KRS 65.140, we recommend the sheriff pay invoices within 30 days. We further recommend the sheriff deposit personal funds of \$832 into the 2014 fee account as recommended in finding 2014-007.

Sheriff’s Response: We will work to resolve this matter.

2014-013 The Sheriff Lacked Adequate Controls Over Payroll

The sheriff’s office lacked strong internal controls over the processing of timesheets. Timesheet review procedures were in place but they were not adequately performed to eliminate or reduce errors. The sheriff also did not adopt or adhere to the county’s administrative policy, nor did he provide the auditors with a copy of his own policy.

The lack of inadequate review over payroll and failure to adhere to the administrative policy led to multiple discrepancies. Due to the lack of effective controls, numerous exceptions were noted as follows:

- Two employees were paid their regular pay and vacation pay for the same pay week.
- Two part time employees submitted signed timesheets noted as “salary” instead of actual hours worked, failing to ensure they met or exceeded the 100 hours per month requirement for retirement.
- One full time employee did not work eight hours but did not take leave time.
- There were four instances where holiday pay was not noted on the timesheet. Auditors were unable to determine if the employees were eligible for holiday pay.
- One employee’s timesheet stated “KLEFPF”, but there were no hours documented on the timesheet.
- Overtime for one employee (22 hours on one timesheet and 68 hours on another) was carried forward instead of being paid when earned.
- One out of four employees tested were not paid the correct salary per documentation in the personnel files held by the county.
- Employees receiving suits for court appearances did not have a taxable fringe benefit withheld on their W-2’s.
- Personnel files maintained by the sheriff did not contain approved salary for all employees nor documented job titles/status.

POWELL COUNTY
 DANNY ROGERS, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-013 The Sheriff Lacked Adequate Controls Over Payroll (Continued)

- Deductions approved by employees were not maintained in the sheriff's personnel files.
- The sheriff's 2014 W-2 was inaccurate (see finding 2014-014).
- All amounts due to the county for payroll were not remitted (see finding 2014-015).
- Two employees were paid lump sum payments for unused vacation time (see finding 2014-016).

Good internal controls dictate that adequate controls and sufficient review is necessary to reduce the risk of errors and misstatements. KRS 337.320 states that every employer shall keep a record of the amount paid each pay period to employees and the hours worked each day and each week for employees.

We recommend the sheriff review the procedures that are in place and strengthen controls over the payroll process. The sheriff should ensure compliance with the county's administrative policy or adopt his own policy and ensure it is compliant with all applicable guidelines. The sheriff should ensure personnel files maintained at the office contain pertinent information for all employees. Taxable benefits should be on appropriate W-2's. Any raises or changes in salary should be properly documented and payroll reports received from processed payroll should be reviewed for accuracy.

Sheriff's Response: We do not do payroll the County Judge's Office prepares invoices and we are in the process of implementing our own policy to resolve this matter in the future.

2014-014 The Sheriff Did Not Ensure His W-2 For Calendar Year 2014 Was Accurate

The sheriff's W-2 for calendar year 2014 was overstated by \$3,852. The lack of adequate review over payroll and failure to adhere to the administrative policy led to multiple discrepancies.

The sheriff's W-2 was overstated by \$3,852 as a result of a voided and reissued check being reported twice by the payroll clerk of the county. Good internal controls dictate that adequate controls and sufficient review is necessary to reduce the risk of errors and misstatements.

We recommend the sheriff obtain a corrected W-2 from the county and review all W-2's for accuracy in the future.

Sheriff's Response: W-2's are prepared by the County Judge's Office. We will ask that an amended W-2 be prepared.

2014-015 The Sheriff Did Not Reimburse The County \$8,569 For Payroll Disbursements Of His Office

The sheriff did not reimburse the county for all payroll disbursements paid on behalf of his office.

The county prepares payroll for the sheriff's office and requests reimbursement from the sheriff for the total salaries paid on behalf of his office. Due to a lack of internal controls over disbursements and payroll as described in findings 2014-006 and 2014-013, the sheriff did not reimburse the county \$8,569 for payroll disbursements for calendar year 2014.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-015 The Sheriff Did Not Reimburse The County \$8,569 For Payroll Disbursements Of His Office
(Continued)

Failure to pay payroll timely resulted in an unpaid obligation of \$8,569 to the fiscal court, as noted in finding 2014-003. KRS 65.140 states, “[a]ll bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice” except when the purchasing agency has transmitted a rejection notice to the vendor.

We recommend the sheriff pay amounts due to the county as soon as possible. We further recommend the sheriff implement controls to ensure all future amounts due the county are paid timely.

Sheriff’s Response: My office is provided an invoice from the County Judge’s Office prepared based on timesheets we provide. We then pay the amount on said invoice. We therefore assumed those invoices would have correct amounts.

2014-016 The Sheriff Could Not Provide A Written Policy And Procedures Manual Allowing Lump Sum Payouts For Unused Vacation Leave Time

Unused vacation leave was paid out at year-end for two employees and not others (a total \$2,324 for payout of vacation leave). Some employees were paid holiday pay while others were not. Overtime was carried forward to be paid out at a later date (similar to compensatory time) for one employee.

The sheriff was unable to provide auditors with a written policy and procedures manual established for his office to address administrative and personnel standards, nor had he adopted the county’s policy. Auditors were unable to determine if the sheriff was compliant and consistent with office policies and procedures. The lump sum payouts for unused vacation leave time were disallowed disbursements, which the sheriff will personally have to pay back to the fee account.

Good internal controls dictate consistent treatment of personnel and properly executed policies to be established and distributed. Without a policy in place, lump sum payouts of vacation leave are not allowable disbursements of the fee office.

We recommend the sheriff establish an office-wide policy and procedures manual or adopt the county’s manual. If he chooses to implement his own policies, he should review them for reasonableness, ensure they do not violate any statutes, put them in writing, and communicate them to all employees. We further recommend the sheriff reimburse the fee account a total of \$2,324 from his personal funds for the disallowed disbursements, as recommended in finding 2014-007.

Sheriff’s Response: I am working on implementing a policy to resolve this matter.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-017 The Sheriff Did Not Prepare Or Submit An Annual Asset Forfeiture Report

The sheriff did not comply with KRS 218A.440 which requires law enforcement agencies to file an annual asset forfeiture report. The sheriff did not prepare or submit an annual forfeiture report for fiscal year ending June 30, 2014.

The failure to prepare or submit an annual forfeiture report constitutes noncompliance with KRS 218A.440 and a lack of availability of records to approving authorities. KRS 218A.440 states, "Each law enforcement agency seizing money or property pursuant to KRS 218A.415 shall, at the close of each fiscal year, file a statement with the Auditor of Public Accounts, and with the secretary of justice and public safety containing, a detailed listing of all money and property seized in that fiscal year and the disposition thereof. The listing shall identify all property so seized."

We recommend the sheriff comply with KRS 218A.440 by preparing an annual forfeiture asset report and submitting it to the secretary of justice and public safety and the Auditor of Public Accounts.

Sheriff's Response: We are working to resolve this matter.

2014-018 The Sheriff Did Not Submit All Quarterly Reports To The Department For Local Government As Required

The sheriff did not submit a third or fourth quarterly report to the Department for Local Government as required. This condition was caused by the lack of management oversight.

The failure to comply with these regulations result in a lack of availability of financial records to approving authorities. KRS 68.210 states that "[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials." The State Local Finance Officer requires a cumulative quarterly report be submitted by the 30th day following the close of each quarter.

We recommend the sheriff provide all financial records to the Department for Local Government when required.

Sheriff's Response: We are working to resolve this matter.

2014-019 The Sheriff's Final Fourth Quarterly Report Did Not Accurately Reflect Total Receipts And Total Disbursements

The sheriff's fourth quarterly report, which serves as the sheriff's financial statement, reflected discrepancies in total receipts and total disbursements for calendar year 2014, requiring material audit adjustments.

POWELL COUNTY
DANNY ROGERS, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-019 The Sheriff's Final Fourth Quarterly Report Did Not Accurately Reflect Total Receipts And
Total Disbursements (Continued)

Controls were not in place to ensure that \$99,893 of receipts and \$116,302 of disbursements were included on the financial statement. A misstatement could result in an increased risk of uncorrected errors, theft, loss, or misappropriated assets.

KRS 134.192 states that, in counties with population of less than 70,000, the sheriff's annual settlement shall include: "[a] complete statement of all funds received by his or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of his or her commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes[.]" and "[a] complete statement of all expenditures of his or her office[.]"

We recommend the sheriff ensure a complete and accurate fourth quarterly report is prepared in order to ensure all receipts and disbursements are accounted for properly.

Sheriff's Response: We are working on resolving this matter.

