

**REPORT OF THE AUDIT OF THE  
CALLOWAY COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2015**



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

**For The Year Ended**  
**December 31, 2015**

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

**Financial Condition:**

Excess fees decreased by \$5,191 from the prior year, resulting in excess fees of \$84,165 as of December 31, 2015. Receipts increased by \$63,164 from the prior year and disbursements increased by \$68,355.

**Debt Obligations:**

Total debt principal as of December 31, 2015, was \$45,700. Future collections of \$48,324 are needed over the next two years to pay all debt principal and interest.

**Report Comments:**

- 2015-001 The Calloway County Sheriff Did Not Have Strong Internal Controls Over Financial Reporting In Order For The Quarterly Report To Be Materially Accurate
- 2015-002 The Calloway County Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

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



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS .....	4
NOTES TO FINANCIAL STATEMENT .....	6
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	13
COMMENTS AND RECOMMENDATIONS .....	17





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Larry Elkins, Calloway County Judge/Executive  
The Honorable Sam Steger, Jr., Calloway County Sheriff  
Members of the Calloway 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 Calloway County, Kentucky, for the year ended December 31, 2015, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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

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



The Honorable Larry Elkins, Calloway County Judge/Executive  
The Honorable Sam Steger, Jr., Calloway County Sheriff  
Members of the Calloway 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 Calloway 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 Calloway County Sheriff, as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016 on our consideration of the Calloway County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The Honorable Larry Elkins, Calloway County Judge/Executive  
The Honorable Sam Steger, Jr., Calloway County Sheriff  
Members of the Calloway County Fiscal Court

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

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

- 2015-001 The Calloway County Sheriff Did Not Have Strong Internal Controls Over Financial Reporting In Order For The Quarterly Report To Be Materially Accurate
- 2015-002 The Calloway County Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

June 29, 2016

CALLOWAY COUNTY  
SAM STEGER, JR., SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

Federal Highway Safety Grants	\$		3,397
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			44,885
State Fees For Services:			
Finance and Administration Cabinet	\$	121,520	
Sheriff Security Service		16,108	137,628
Circuit Court Clerk:			
Fines and Fees Collected			9,162
Fiscal Court			449,654
County Clerk - Delinquent Taxes			26,033
Commission On Taxes Collected			520,234
Fees Collected For Services:			
Auto Inspections		16,680	
School Security		102,589	
Serving Papers		44,840	
Carrying Concealed Deadly Weapon Permits		15,865	
Transporting Prisoners		12,880	
City of Hazel		9,200	202,054
Other:			
Add-On Fees		36,639	
Fire/Rescue Reimbursement		20,000	
Miscellaneous		24,941	81,580
Interest Earned			439
Borrowed Money:			
State Advancement		213,000	
Bank Notes		83,438	296,438
Total Receipts			1,771,504

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

CALLOWAY COUNTY  
SAM STEGER, JR., SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2015  
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 837,293

Dispatch Salaries 205,052

Employee Benefits-

Employer's Share Social Security 81,295

Materials and Supplies-

Equipment Expense 36,070

Auto Expense-

Vehicle Expense 51,913

Other Charges-

Conventions and Travel 11,306

Postage 3,673

County Ordinance 7,840

Miscellaneous 25,518

Capital Outlay-

Vehicles 88,322 \$ 1,348,282

Debt Service:

State Advancement 213,000

Promissory Notes 37,738

Interest 1,516

Processing Fees 110 252,364

Total Disbursements

\$ 1,600,646

Net Receipts

170,858

Less: Statutory Maximum

85,708

Excess Fees

85,150

Less: Training Incentive Benefit

985

Excess Fees Due County for 2015

84,165

Payments to Fiscal Court - July 13, 2015

13,356

October 15, 2015

30,000

December 3, 2015

40,000

February 11, 2016

546

83,902

Balance Due Fiscal Court at Completion of Audit

\$ 263

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

CALLOWAY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

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

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

B. Basis of Accounting

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

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

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

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

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in the following, including but not limited to, 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).

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 3. Deposits

The Calloway 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 Calloway County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Promissory Notes

A. Promissory Note #87555

The sheriff's office is liable for a secured note payable to Murray Bank in the amount of \$37,122. The purpose of the note was to purchase a vehicle. The note will mature December 15, 2018 with an interest rate of 3.100 percent. As of December 31, 2015, the principal balance of the note was \$18,281. The sheriff made an extra payment in calendar year 2015. The sheriff's office was in compliance with the terms of the agreement as of December 31, 2015.

Year Ended		
December 31	Principal	Interest
2017	\$ 9,211	\$ 680
2018	9,070	201
	<u>\$ 18,281</u>	<u>\$ 881</u>

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

Note 4. Promissory Notes (Continued)

B. Promissory Note #87565

The sheriff's office is liable for a secured note payable to Murray Bank in the amount of \$37,122. The purpose of the note was to purchase a vehicle. The note will mature December 15, 2018 with an interest rate of 3.100 percent. As of December 31, 2015, the principal balance of the note was \$27,419. The sheriff's office was in compliance with the terms of the agreement as of December 31, 2015.

Year Ended		
<u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 8,931	\$ 859
2017	9,211	580
2018	9,277	304
	<u>\$ 27,419</u>	<u>\$ 1,743</u>

C. Promissory Note #86715

The sheriff's office entered into a secured note payable to Murray Bank in the amount of \$9,193. The purpose of the note was to purchase equipment for vehicles. The balance of this note was paid off in September 2015.

Note 5. Lease Agreement

The Calloway County Sheriff is committed to a lease agreement for a copy machine. The Sheriff was in compliance with the terms of the agreement as of December 31, 2015.

Note 6. Special Account

The Calloway County Sheriff's office maintains a separate account for a calendar program, miscellaneous receipts, and interest earned on the account. The beginning balance of the account was \$2,057. During calendar year 2015, there were no receipts or disbursements. As of December 31, 2015, the ending balance was \$2,057.

Note 7. Forfeiture Account

The Calloway County Sheriff's office maintains a separate account for court ordered forfeitures of money and property. The beginning balance of this account was \$3,679. During calendar year 2015, receipts totaled \$10,570 and disbursements totaled \$13,007 leaving an ending balance of \$1,242 as of December 31, 2015.

Note 8. Evidence Holding Account

The Calloway County Sheriff's office maintains an evidence holding account. Receipts for this account are interest earned on deposits and all monies confiscated from theft or drug arrests. These funds are disbursed only by a court order. The beginning balance of this account was \$5,271. During calendar year 2015, receipts totaled \$2,679, and there were no disbursements. As of December 31, the ending balance of this account was \$7,950.

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

Note 9. Donation Account

In November 2015, the Calloway County Sheriff's office opened a separate account for donations received. During calendar year 2015, receipts totaled \$2,000 and disbursements totaled \$1,683 leaving and ending balance of \$317 as of December 31, 2015.

Note 10. Unclaimed Property Account

The Calloway County Sheriff's office maintains an unclaimed property account. The beginning balance of this account was \$5,443. During calendar year 2015, receipts totaled \$713, and there were no disbursements, leaving an ending balance of \$6,156 as of December 31, 2015.

Note 11. Federal Grant - Click It Or Ticket Overtime

The Calloway County Sheriff's office was awarded a Federal Highway Safety grant for the period of May 1, 2015 through May 31, 2015. During 2015, grant funds in the amount of \$1,086 were received. All funds were expended for their intended purpose.

Note 12. Federal Grant - Impaired Driving Overtime Enforcement

The Calloway County Sheriff's office was awarded a Federal Highway Safety grant for the period of July 1, 2015 through September 30, 2015. During 2015, grant funds in the amount of \$2,311 were received. All funds were expended for their intended purpose.

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 Larry Elkins, Calloway County Judge/Executive  
The Honorable Sam Steger, Jr., Calloway County Sheriff  
Members of the Calloway 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 Calloway County Sheriff for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated June 29, 2016. The Calloway 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 Calloway 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 Calloway County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Calloway County Sheriff's internal control.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2015-001 to be a material weakness.



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

**Internal Control over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying comments and recommendations as item 2015-002 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Calloway 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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,

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

Mike Harmon  
Auditor of Public Accounts

June 29, 2016

COMMENTS AND RECOMMENDATIONS



CALLOWAY COUNTY  
SAM STEGER, JR., SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

INTERNAL CONTROL – MATERIAL WEAKNESS:

2015-001 The Calloway County Sheriff Did Not Have Strong Internal Controls Over Financial Reporting In Order For The Quarterly Report To Be Materially Accurate

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The Calloway County Sheriff's quarterly financial report for calendar year 2015 was materially misstated and required multiple audit adjustments. These adjustments were a result of multiple transactions being classified on the receipts and disbursements ledger as miscellaneous.

Strong internal controls over the recording of receipts and disbursements are essential to ensure that receipts and disbursements are properly maintained. The sheriff is responsible for the design and implementation of policies and procedures that will ensure receipts and disbursements are recorded properly and that financial reports are stated accurately.

We recommend the sheriff strengthen internal control procedures over the recording of receipts and disbursements and financial reporting. Modifying the categories on the daily checkout sheets to mirror the categories listed on the quarterly financial statement will help ensure transactions are properly classified.

*Sheriff's Response: The sheriff did not respond.*

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY:

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

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The Calloway County Sheriff's office lacks adequate segregation of duties. Due to a limited number of staff, the Sheriff's bookkeeper is required to perform multiple tasks such as the collection of cash from customers, the bookkeeping function, monthly bank reconciliations, the preparation of checks for disbursements, and the preparation of monthly and quarterly reports.

A lack of segregation of duties or strong oversight increases the risk of undetected errors. A proper segregation of duties over the accounting and reporting functions or the implementation of compensating controls, when necessary because of a limited number of staff, is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To offset this lack of segregation of duties, the sheriff has implemented some compensating controls including dual signatures and cross-checking procedures. However, these procedures are not sufficient enough to reduce the risks associated with the lack of segregation of duties. The sheriff should segregate duties to the extent allowed by budget restrictions. For those duties that cannot be segregated, strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight should include reviewing daily checkout procedures, monthly bank reconciliations, receipts and disbursements ledgers, and the quarterly reports. Documentation, such as the sheriff or a designee's initials or signature, should be provided on those items that are reviewed.

*Sheriff's Response: The sheriff did not respond.*

