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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Former Bullitt County Sheriff's Fee Account**

**FRANKFORT, Ky. – FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2017 financial statement of former Bullitt County Sheriff Donnie Tinnell. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

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

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

The audit contains the following comments:

**The former Bullitt County Sheriff was noncompliant with state law by operating a tow lot and collecting fees for towing and vehicle storage:** The Bullitt County Sheriff's Office began operating a tow lot in February 2017. The vehicle owner is charged with a towing fee and a daily charge of \$25 per day to store the vehicle on the lot. They are given a certain time to pick up their vehicle and pay their fees or the vehicle ownership will be turned over to the sheriff's office. The sheriff's office is selling all vehicles where ownership has been turned over to them. They are depositing fees received into a tow lot bank account.

The former Bullitt County Sheriff was operating a tow lot and charging towing fees and vehicle storage fees to increase revenue for the office. These fees are not allowed to be collected by a sheriff per state law. Also, by depositing the fees collected in a separate bank account, the former sheriff is not turning over these fees to the state as other fees deposited in the fee account. This significantly increases the risk that the tow lot fees collected are not used appropriately by the sheriff's office.

KRS 64.410 mandates that the sheriff cannot collect fees he is not mandated to by state law per KRS 64.090. KRS 64.090 provides a list of fees a sheriff is authorized to collect. Towing fees and related storage fees are not allowable fees for a sheriff to collect per this state law.

We recommend the sheriff's office cease operations of the tow lot, and stop collecting towing fees and daily vehicle storage fees to be in compliance with state law. We recommend the balance of the tow lot bank account be paid to the 75% account.

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

**The former Bullitt County Sheriff did not have adequate controls over disbursements:** The former Bullitt County Sheriff did not have adequate controls over disbursements. The following deficiencies were noted:

- Original invoices were not kept.
- Invoices were not date stamped when received.
- Invoices were not effectively canceled in order to prevent duplicate payments.
- Fuel credit card receipts were not maintained and not compared to the monthly fuel invoices.

These deficiencies were caused by a lack of internal controls and a lack of oversight of disbursements. Failure to maintain adequate supporting documentation for expenditures could result in disallowed expenditures, requiring personal funds to be deposited into the account. Failure to properly maintain the original invoice, to document the date received, and to effectively cancel invoices, as required by the Department for Local Government (DLG) could lead to fraudulent invoices being paid or duplicate payments.

The *Financial Operation in Counties with Population of 70,000 or More* manual issued by the Finance and Administration Cabinet's Office of the Controller requires the official to attach the vendor's original bill or invoice with the date stamped on the lower left hand corner, and retain a copy for their own records. Strong internal controls dictate that invoices or other documents should be effectively cancelled in order to prevent duplicate payments.

We recommend the sheriff's office ensure that all original invoices are maintained and are properly date stamped when received in the lower left hand corner as required by the *Financial Operation in Counties with Population of 70,000 or More* manual. Original invoices should be effectively cancelled to prevent duplicate payments. Additionally, we recommend the sheriff's office implement a policy to ensure that all fuel bill original receipts are turned in to the deputy in charge

of the monthly fuel bill reconciliation. These receipts should be compared to the monthly credit card invoice and evidenced by initials or a signature.

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

**The former Bullitt County Sheriff's Office was not in compliance with bid requirements:**

The Bullitt County Sheriff's Office purchased two vehicles totaling \$39,200. Proper bidding requirements were not followed for purchases over \$20,000. Adequate supporting documentation was not maintained. The lack of management oversight resulted in noncompliance with state regulations over bid procedures. By not ensuring that proper bidding procedures have been followed prior to authorization and payment of invoices exceeding \$20,000, the former sheriff was not in compliance with KRS 424.260.

KRS 424.260 states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids. This subsection shall not apply to the transfer of property between governmental agencies as authorized in KRS 82.083(4)(a)." In addition, the *Financial Operation in Counties with Population of 70,000 or More* requires the official to attach the vendor's original bill or invoice.

We recommend the sheriff's office follow KRS 424.260 for purchases exceeding \$20,000 and maintain the vendor's original invoice.

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

**The former Bullitt County Sheriff's internal controls over payroll processing were not adequate:** This is a repeat finding and was included in the prior year audit report as Finding 2016-002. The sheriff's office lacks segregation of duties over payroll processing. The office manager prepares the Excel file for each pay period to calculate payroll and uploads it to the Kentucky Human Resource Information System (KHRIS) for payroll processing with no independent review to ensure pay rates are correct and payroll is calculated correctly.

When controls over payroll are weak, employees can be paid incorrectly, either by incorrect hours or using a pay rate that is not authorized. Furthermore, leave balances can be misstated.

Strong internal controls dictate that payroll processing functions should be segregated between data entry, approval of payroll before checks are issued, withholdings taken are documented and verified, pay rate changes are documented in personnel files, and authorization is documented.

We recommend the sheriff's office implement the following procedures:

- Payroll is calculated by one employee and the sheriff or his designee reviews the calculations to ensure pay rates are correct and calculations are correct and that payroll is correctly entered into KHRIS.
- Pay rate changes are documented in the employee's personnel file with evidence that the sheriff has authorized any pay rate changes.
- Withholdings authorizations are maintained for each employee to support the amounts withheld on their paychecks.

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

**The former Bullitt County Sheriff's Office lacked adequate controls over drug buy funds:**

This is a repeat finding and was included in the prior year audit report as Finding 2016-003. The following control weaknesses were noted during the review of controls and testing of drug buys:

- No independent reviews of balance sheet for drug buys
- No independent cash counts performed
- Withdrawal for buy money was in the form of a check written to the deputy for buy money, not to the bank or for cash.
- Some deputies had small amounts of cash they were holding for drug buys with no official policy on how much to keep, where to secure it when not in use, etc.
- No record or ledger is kept for each deputy performing drug buys to document and track how much money each deputy has on hand for drug buys.

The former sheriff was not aware of significant controls needed over cash used for drug buys, such as:

- To have ledgers prepared and maintain to document deputies' use of funds for drug buys to reflect the amount they have on hand,
- To have ledgers reviewed for accuracy and completeness,
- To have supporting documentation reviewed to ensure there is adequate documentation to show how funds are used, including if a deputy returns funds he has out for drug buys, and
- To perform and document random cash counts, agreeing cash on hand to amount reported on the ledgers for that date.

Without implementing strong controls over cash used for drug buys, there is a significant risk that cash used for drug buys may be misappropriated. Strong internal controls dictate that cash used for drug buys and related transactions should be recorded accurately on ledgers, adequately supported with documentation showing use of funds or return of funds by deputy, and to ensure that cash on hand is secured in the sheriff's office, and agrees to the supporting ledgers.

We recommend the sheriff's office:

- Develop and implement policies to document how much funds each deputy performing drug buys is permitted to maintain on hand at a time, including that the funds held should be maintained and secured in the sheriff's office at all times.

- Develop and implement a document for the lieutenant colonel to complete to request funds from the sheriff's bank account to use for drug buys.
- Ensure checks for drug buy funds are written to cash or to the bank, not a specific person.

We recommend the following for the former sheriff or his designee:

- Develop and maintain ledgers for each deputy who performs drug buys, to calculate the balance of cash available, including the date and amount of each transaction they complete for drug buys and if they return any funds not used.
- Conduct and document independent reviews of the drug buy ledgers for each deputy to ensure they are complete and accurate.
- Conduct and document independent cash counts for funds held by the deputies for drug buys.

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

**The former Bullitt County Sheriff's Office lacked adequate segregation of duties over receipts and disbursements:** The Bullitt County Sheriff's Office lacked adequate segregation of duties. The former sheriff's bookkeeper collected payments from customers, issued receipts, posted transactions to the receipts ledger, prepared the quarterly reports, and performed the monthly bank reconciliations. Daily checkout sheets were prepared by a deputy clerk who also collected payments from customers and prepared the deposit tickets. Oversight by either the former sheriff or another employee was not always documented for these activities. The former sheriff indicated that this condition was a result of a limited budget, which restricted the number of employees the sheriff could hire or delegate duties to. A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as Department for Local Government (DLG).

The 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.

We recommend the sheriff's office 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 due to a limited budget, this is not feasible, cross checking procedures could be implemented and documented by the individual performing the procedure.

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

**The former Bullitt County Sheriff had weak control over secondary employment:** This is a repeat finding and was included in the prior year audit report as Finding 2016-004. The former Bullitt County Sheriff did not maintain disclosures of outside employment for employees as is required by his office policy on secondary employment. The auditor was told by a sheriff's

employee that he and another employee had outside employment in 2016. Upon review of the outside employment disclosures, the auditor did not find disclosures for those two employees. There were a few disclosures provided by the chief deputy, additional disclosures provided by another sheriff employee, and a few noted in personnel files.

The former Bullitt County Sheriff did not adhere to his office's secondary employment policy, resulting in increased risk that sheriff's employees worked outside employment and did not notify and receive approval from their supervisor, and that the employees could have worked their outside employment while reporting that they worked time for the sheriff's office, so they could have been paid by both employers for the same hours worked.

The former sheriff's secondary employment policy requiring those deputies with outside employment to provide written notice to describe the type of work performed and the maximum number of hours per week the employee will engage in the outside employment. Also, the policy requires the employee to receive approval of the employment through their chain of command and final approval by the former sheriff. (Section IV, B, C).

We recommend the sheriff's office review the secondary employment policy with all employees and ensure that each employee who has outside employment completes a disclosure, and obtains written approval from the supervisor and the sheriff, according to the policy. We also recommend the sheriff's office ensure all outside employment disclosures are kept on file for all employees.

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

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

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

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