

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

**For The Year Ended  
December 31, 2017**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS .....	3
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
SCHEDULE OF FINDINGS AND RESPONSES .....	17

THIS PAGE LEFT BLANK INTENTIONALLY



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

The Honorable Kenny Imes, 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, 2017, 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 this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a 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.

209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912

[WWW.AUDITOR.KY.GOV](http://WWW.AUDITOR.KY.GOV)

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



The Honorable Kenny Imes, 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, 2017, 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, 2017, 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 December 18, 2018, 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, 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 Calloway County Sheriff's internal control over financial reporting and compliance.

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

- 2017-001 The Calloway County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2017-002 The Calloway County Sheriff Overspent His Approved Budget
- 2017-003 The Calloway County Sheriff Overspent The Maximum Salary Limit Fixed By Fiscal Court

Respectfully submitted,



Mike Harmon  
 Auditor of Public Accounts

December 18, 2018

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

For The Year Ended December 31, 2017

Receipts

Federal Grants	\$	7,224
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		70,014
State Fees For Services:		
Finance and Administration Cabinet	\$	140,385
Sheriff Security Service		11,900
		152,285
Circuit Court Clerk:		
Fines and Fees Collected		8,740
Fiscal Court		496,239
County Clerk - Delinquent Taxes		22,462
Commission On Taxes Collected		570,324
Fees Collected For Services:		
Auto Inspections		19,725
Fingerprints		5,715
Serving Papers		59,010
School Security		62,451
Carry Concealed Deadly Weapon Permits		15,805
Add on Fees		37,415
Transporting		31,185
		231,306
Other:		
Miscellaneous		22,828
Fire and Rescue Dispatch		20,000
City of Hazel		9,600
		52,428
Interest Earned		501
Borrowed Money:		
State Advancement		213,000
Promissary Note		83,000
		296,000
Total Receipts		1,907,523

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, 2017  
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 1,014,411	
Dispatch Gross Salaries	232,427	

Employee Benefits-

Employer's Share Social Security	101,206	
Employer's Share KLEFPF Retirement	8,465	

Materials and Supplies-

Equipment Exp	24,496	
IT Exp	2,940	

Auto Expense:

Maintenance and Repairs	22,965	
-------------------------	--------	--

Other Charges-

Towing	2,136	
Dues	3,376	
Postage	1,305	
Drug Screening	1,345	
Payroll Processing Fee	1,834	
Miscellaneous	3,439	
Training and Travel	9,229	
New Hires	690	

County Ordinance #00815B	10,210	\$ 1,440,474
--------------------------	--------	--------------

Debt Service:

State Advancement	213,000	
-------------------	---------	--

Promissory Notes - Principal	83,000	
------------------------------	--------	--

Promissory Notes - Interest	110	296,110
-----------------------------	-----	---------

Total Disbursements

\$ 1,736,584



CALLOWAY COUNTY  
SAM STEGER, JR., SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2017  
(Continued)

Net Receipts	\$ 170,939
Less: Statutory Maximum	<u>94,201</u>
Excess Fees	76,738
Less: Training Incentive Benefit	<u>3,039</u>
Excess Fees Due County for 2017	73,699
Payment to Fiscal Court - November 22, 2017	40,000
Payment to Fiscal Court - February 21, 2018	<u>36,303</u>
Balance Due From Fiscal Court at Completion of Audit	<u>\$ (2,604)</u>

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

CALLOWAY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2017

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 2017 services
- Reimbursements for 2017 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2017

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

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

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

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

CALLOWAY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2017  
 (Continued)

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

The sheriff's contribution for the KLEFPF portion of retirement for calendar year 2015 was \$5,737, calendar year 2016 was \$7,795, and calendar year 2017 was \$8,465.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous members contribute five percent 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 employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 18.68 percent for the first six months and 19.18 percent for the last six months.

Health Insurance Coverage

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, 2017  
(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, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Notes Payable

- A. The Calloway County Sheriff's office entered into an unsecured note payable to Murray Bank in the amount of \$10,000 on February 16, 2017. The purpose of the note was to provide financing for operating expenses of the sheriff's office. The balance of this note was paid in full as of December 31, 2017.
- B. The Calloway County Sheriff's office entered into an unsecured note payable to Murray Bank in the amount of \$23,000 on June 8, 2017. The purpose of the note was to provide financing for operating expenses of the sheriff's office. The balance of this note was paid in full as of December 31, 2017.
- C. The Calloway County Sheriff's office entered into an unsecured note payable to Murray Bank in the amount of \$25,000 on September 28, 2017. The purpose of the note was to provide financing for operating expenses of the sheriff's office. The balance of this note was paid in full as of December 31, 2017.
- D. The Calloway County Sheriff's office entered into an unsecured note payable to Murray Bank in the amount of \$25,000 on December 20, 2017. The purpose of the note was to provide financing for operating expenses of the sheriff's office. The balance of this note was paid in full as of December 31, 2017.

CALLOWAY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2017  
 (Continued)

Note 5. Lease Agreement

The Calloway County Sheriff's office is committed to a lease agreement for a copy machine. According to the agreement, the sheriff's office pays \$12 per month plus a minimal amount per copy. The sheriff was in compliance with the agreement as of December 31, 2017.

Note 6. Special Account

The Calloway County Sheriff maintains a separate account for a calendar program, miscellaneous receipts, and interest earned on the account. The beginning balance of the account was \$2,058. During calendar year 2017, receipts totaled \$1. In December 2017, total available funds of \$2059 were disbursed and the account was closed.

Note 7. Forfeiture Account

The Calloway County Sheriff maintains a separate account for court ordered forfeitures of money and property. The beginning balance of the account was \$3,563. During calendar year 2017, receipts totaled \$75,702 and disbursements totaled \$79,191, leaving an ending balance of \$74, as of December 31, 2017.

Note 8. Evidence Holding Account

The Calloway County Sheriff 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 the account was \$45,638. During calendar year 2017, receipts totaled \$25,774 and disbursements totaled \$63,321, leaving an ending balance of \$8,091, as of December 31, 2017.

Note 9. Unrefundable Duplicate Payments And Unexplained Receipts

The sheriff deposited unrefundable duplicate payments and unexplained receipts in an unclaimed property account. The sheriff's escrowed amounts were as follows:

2014	\$ 985	(Transferred from former sheriff)
2015	\$ 1,019	
2016	\$ 646	

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110 and its accompanying regulations. The sheriff disbursed \$4,458 during calendar year 2017.

Note 10. Donations Account

The Calloway County Sheriff maintains a donations account. Receipts for this account are interest earned on deposits and donations made to the sheriff's department. The beginning balance of the account was \$2,317. During the calendar year receipts totaled \$150 and disbursements totaled \$2,467, leaving an ending balance of \$0, as of December 31, 2017.

Note 11. Federal Grants

The Calloway County Sheriff's office received two federal highway safety grants from the Department of Justice applicable from October 2016 to September 2017 and October 2017 to September 2018. During 2017 grant funds in the amount of \$7,224 were received. All funds were expended for their intended purpose.

CALLOWAY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2017  
(Continued)

Note 12. City of Hazel Agreement

The Calloway County Sheriff's contracted with the City of Hazel to provide law enforcement services. The previous contract ran from June 1, 2016 to July 1, 2017. The amount received from this agreement during 2017 was \$4,600. The current contract runs from July 1, 2017 to June 30, 2018. The amount they received from this agreement during 2017 was \$5,000

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*

THIS PAGE LEFT BLANK INTENTIONALLY





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

The Honorable Kenny Imes, 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, 2017, and the related notes to the financial statement and have issued our report thereon dated December 18, 2018. 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.

*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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002 to be material weaknesses.



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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-002 and 2017-003.

**Views of Responsible Official and Planned Corrective Action**

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

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

December 18, 2018

## SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

CALLOWAY COUNTY  
SAM STEGER, JR., SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Calloway County Sheriff's Office Lacks Adequate Segregation Of Duties

---

This is a repeat finding and was included in prior year report as 2016-002. In calendar year 2017, the Calloway County Sheriff's office lacks adequate segregation of duties. The bookkeeper is required to perform multiple tasks, such as the collection of cash from customers, the bookkeeping function, preparation of disbursements, and the preparation of the monthly and quarterly reports. To offset this lack of segregation of duties, the sheriff has implemented compensating controls including dual signatures, cross-checking procedures, and reviewing monthly bank reconciliations periodically, however, these procedures were not sufficient enough to reduce the risks associated with the lack of segregation of duties. According to bookkeeper, this lack of segregation of duties is caused by the diversity of operations with a limited number of staff.

A lack of segregation of duties, or strong oversight, increases the risk that errors could occur and not be detected. Segregation of duties, or the implementation of compensating controls, when limited by the number of staff, is essential for providing protection against the misappropriation of assets and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against the misappropriation of assets and financial reporting, we recommend the sheriff segregate the duties noted above to the extent allowed by budget restrictions. For those duties that could not be segregated due to a limited number staff, strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight may include reviewing the receipts and disbursements ledgers. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that were reviewed.

*Sheriff's Response: Due to a limited number of staff in the business office, the bookkeeper also has to directly handle money along with other diverse duties. I do hire part-time staff in the tax collection months to assist the effort to segregate duties.*

2017-002 The Calloway County Sheriff Overspent His Approved Budget

---

This is a repeat finding and was included in the prior year report as finding 2016-003. In the calendar year 2017, the Calloway County Sheriff overspent his budget by \$57,115. A budget amendment was obtained by the sheriff's office, but it did not adequately cover all of the expenses. The sheriff failed to emphasize a strong internal control system; therefore, improper monitoring of disbursements resulted in the sheriff overspending his 2017 budget. The sheriff's failure to monitor the budget properly when making expenditures, caused the office to disburse more money than was approved by the fiscal court, thus making him noncompliant with KRS 68.210.

The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15<sup>th</sup> of each year. KRS 68.210 states that the "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 . . . a system of uniform accounts for all counties and county officials." Additionally, strong internal controls include monitoring disbursements and comparing them to budgeted amounts.

CALLOWAY COUNTY  
SAM STEGER, JR., SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2017  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-002 The Calloway County Sheriff Overspent His Approved Budget (Continued)

---

We recommend, when making disbursements, the Calloway County Sheriff monitor the budget set by the fiscal court to ensure that he does not spend more than is approved. When necessary, the sheriff should make appropriation transfers or obtain a budget amendment from the fiscal court before overspending any budget category.

*Sheriff's Response: We obtained an amended budget but due to undetermined receipts and some disbursements that bleed over into January of the following year, tracking the budget is sometimes difficult. We will take measures to monitor it as closely as possible.*

2017-003 The Calloway County Sheriff Overspent The Maximum Salary Limit Fixed By Fiscal Court

---

The Calloway County Fiscal Court set the maximum amount the sheriff could spend on deputies' salaries and wages during the calendar year 2017 at \$1,140,000. Excluding compensation for KLEFPF wages, the total amount expended on deputies' salaries and wages was \$1,357,172, which is \$217,172 more than the approved amount. The annual order setting the maximum amount for deputies and assistants included the employer Social Security and retirement match by mistake. The sheriff did not notice this mistake at the time the order was set. As a result, the sheriff overspent the maximum salary limitation fixed by the fiscal court.

KRS 64.530(3) states, "the fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant." Once established, the sheriff should adhere to this order.

We recommend the Calloway County Sheriff monitor his payroll expenditures during the year and obtain any necessary amendments before year end.

*Sheriff's Response: This was due to the Annual Order Setting Maximum Amounts for Deputies and Assistants included employer social security and retirement matching and shouldn't have. This has been corrected for the next budget year.*