

**REPORT OF THE AUDIT OF THE  
FORMER CARROLL COUNTY  
SHERIFF**

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



**MIKE HARMON  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**FORMER CARROLL COUNTY SHERIFF**

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

The Auditor of Public Accounts has completed the former Carroll 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 \$13,673 from the prior year, resulting in a deficit of \$10,067 as of December 31, 2015. Receipts increased by \$24,414 from the prior year and disbursements increased by \$38,087.

**Report Comments:**

- 2015-001 The Former Sheriff Did Not Pay All Disbursements Timely
- 2015-002 The Maximum Amount For The Former Sheriff's Deputies' Salaries Was Not Set By The Fiscal Court For Calendar Year 2015
- 2015-003 The Sheriff's Office Lacked Segregation Of Duties Related To Controls Over Receipts, Disbursements, And Reconciliations
- 2015-004 The Former Sheriff Did Not Implement Procedures To Analyze Operating Needs Of The Office During The Year To Ensure Disbursements Are Made Only When Funding Is Available

**Deposits:**

The former sheriff's deposits as of November 12, 2015 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$1,483,531

The former sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the former sheriff's deposits in accordance with the security agreement.



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

The Honorable Bobby Lee Westrick, Carroll County Judge/Executive  
The Honorable Jamie Kinman, Former Carroll County Sheriff  
The Honorable Philip Marshall, Carroll County Sheriff  
Members of the Carroll 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 former Sheriff of Carroll 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 Bobby Lee Westrick, Carroll County Judge/Executive  
The Honorable Jamie Kinman, Former Carroll County Sheriff  
The Honorable Philip Marshall, Carroll County Sheriff  
Members of the Carroll 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 former Carroll 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 former Carroll 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 former Carroll 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 January 18, 2017 on our consideration of the former Carroll 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 Bobby Lee Westrick, Carroll County Judge/Executive  
The Honorable Jamie Kinman, Former Carroll County Sheriff  
The Honorable Philip Marshall, Carroll County Sheriff  
Members of the Carroll 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 Former Sheriff Did Not Pay All Disbursements Timely
- 2015-002 The Maximum Amount For The Former Sheriff's Deputies' Salaries Was Not Set By The Fiscal Court For Calendar Year 2015
- 2015-003 The Sheriff's Office Lacked Segregation Of Duties Related To Controls Over Receipts, Disbursements, And Reconciliations
- 2015-004 The Former Sheriff Did Not Implement Procedures To Analyze Operating Needs Of The Office During The Year To Ensure Disbursements Are Made Only When Funding Is Available

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

January 18, 2017

CARROLL COUNTY  
 JAMIE KINMAN, FORMER SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	8,171
State Fees For Services:		
Finance and Administration Cabinet	\$	30,764
Sheriff Security Service		9,317
Cabinet For Health And Family Services		<u>7,043</u>
		47,124
Circuit Court Clerk:		
Fines and Fees Collected		775
Fiscal Court		40,512
County Clerk - Delinquent Taxes		14,261
Commission On Taxes Collected		219,757
Fees Collected For Services:		
Auto Inspections		13,160
Accident and Police Reports		902
Serving Papers		26,190
Carrying Concealed Deadly Weapon Permits		<u>3,640</u>
		43,892
Other:		
Add-On Fees		19,318
Miscellaneous		<u>12,760</u>
		32,078
Interest Earned		340
Borrowed Money:		
State Advancement		<u>140,000</u>
Total Receipts		546,910

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

CARROLL COUNTY  
 JAMIE KINMAN, FORMER 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	\$ 98,696
Part-Time Salaries	42,995
Other Salaries	28,201
Overtime	25,548
KLEFPF	8,738

Employee Benefits:

Employer's Share Retirement	1,331
Employer Paid Health Insurance	69,062

Supplies and Materials:

Office Materials and Supplies	1,895
Uniforms	3,231

Auto Expense:

Gasoline	20,018
Maintenance and Repairs	8,598
Milage on Personal Vehicles	79

Other Charges:

Conventions and Travel	1,888
Dues	644
Postage	2,702
Cell Phone	5,787
Internet	340
Prisoner Transports	6,210
Training Deputies	194
Equipment	397
Computer	2,985
Miscellaneous	97

Capital Outlay:

Office Equipment	\$ 648	\$ 330,284
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Debt Service:

State Advancement		<u>140,000</u>
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Total Disbursements

\$ 470,284

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

CARROLL COUNTY  
JAMIE KINMAN, FORMER SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2015  
(Continued)

Net Receipts	76,626
Less: Statutory Maximum	<u>82,752</u>
Excess Fees	(6,126)
Less: Training Incentive Benefit	<u>3,941</u>
Balance Due Fiscal Court at Completion of Audit*	<u>(10,067)</u>

\*On May 24, 2016, the fiscal court contributed an additional \$10,067 to the former sheriff for the repayment of the state advancement.

CARROLL 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 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).

CARROLL 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, 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. 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.

The sheriff's contribution for FY 2013 was \$1,739, FY 2014 was \$1,130 and for FY 2015 was \$1,331.

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

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%

CARROLL 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.

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 former Carroll 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 former Carroll County Sheriff did not have a deposit policy for custodial credit risk but rather followed 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. However, as of November 12, 2015, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the former sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured      \$1,483,531

Note 4. Drug Forfeiture Account

The former sheriff had an account that was used for receiving forfeited state drug money. This money was used to purchase law enforcement equipment and to make drug buys during investigations. The beginning balance on January 1, 2015 was \$1,081. There were no receipts and disbursements in this account during 2015. The ending balance on December 31, 2015 was \$1,081.

Note 5. Grant Account

The former sheriff had an account that was used for receiving grant money. The beginning balance of the grant account on January 1, 2015 was \$445. Disbursements were \$12 during 2015. The ending balance on December 31, 2015 was \$433.

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

Note 6. Donations Account

The former sheriff had an account used for the receipt of donations for equipment, or donations paid in lieu of fines. Disbursements from the account were limited to law enforcement equipment for officers. The beginning balance on January 1, 2015 was \$2,578. The receipts were \$1,000. The ending balance as of December 31, 2015 was \$3,578.

Note 7. Contingency

The former sheriff was involved in lawsuits that arose from the normal course of doing business. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the former sheriff cannot be made at this time.



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 Bobby Lee Westrick, Carroll County Judge/Executive  
The Honorable Jamie Kinman, Former Carroll County Sheriff  
The Honorable Philip Marshall, Carroll County Sheriff  
Members of the Carroll 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 former Carroll County Sheriff for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated January 18, 2017. The former 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 former Carroll 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 former Carroll County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Carroll 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.



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)**

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying comments and recommendations as items 2015-003 and 2015-004 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the former Carroll 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 2015-001 and 2015-002.

**Sheriff's Responses to Findings**

The former Carroll County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The former Carroll 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

January 18, 2017

COMMENTS AND RECOMMENDATIONS



CARROLL COUNTY  
JAMIE KINMAN, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

STATE LAWS AND REGULATIONS:

2015-001 The Former Sheriff Did Not Pay All Disbursements Timely

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During testing, we noted three instances in which operating disbursements were paid more than 30 days past the date on the invoice, resulting in noncompliance with KRS 65.140(2). Furthermore, payroll reimbursements were not paid timely to the fiscal court on four separate occasions during calendar year 2015. KRS 65.140(2) states that payments should be made to vendors within 30 business days of receipt. The former sheriff's office did not have a procedure in place to ensure payments were made timely. Failure to pay bills within 30 days results in amounts not being recorded timely on the disbursements ledger and can result in payment of finance charges and late fees. We recommend the sheriff's office implement procedures to ensure all payments are made timely.

*Former Sheriff's Response: Will make all attempts to make all payments in a timely manner.*

2015-002 The Maximum Amount For The Former Sheriff's Deputies' Salaries Was Not Set By The Fiscal Court For Calendar Year 2015

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The fiscal court approved the former sheriff's budget for 2015; however, the fiscal court did not set a salary cap for the former sheriff's deputies and assistants in accordance with KRS 64.530(3). The former sheriff did not have a policy that ensured the "Annual Order Setting Maximum Amount for Deputies and Assistants" form was approved by the fiscal court. This statute requires the fiscal court to set the maximum amount for the deputies and assistants salaries annually, including fringe benefits, and allows the sheriff to determine the number to be hired and individual compensation of each deputy or assistant. By not submitting the "Annual Order Setting Maximum Amount for Deputies and Assistants" form to the fiscal court, the former sheriff was not in compliance with KRS 64.530(3). We recommend the sheriff's office complete the "Annual Order Setting Maximum Amount for Deputies and Assistants" form provided by the Department for Local Government, and submit with the next budget to ensure fiscal court approves a salary cap as required.

*Sheriff's Response: Been fixed.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2015-003 The Former Sheriff's Office Lacked Segregation of Duties Related To Controls Over Receipts, Disbursements, And Reconciliations

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During our review of controls, we noted a lack of segregation of duties related to several significant financial reporting areas. Due to the entity's diversity of official operations, small size, and budget restrictions, the former sheriff had limited options for establishing an adequate segregation of duties. The bookkeeper received cash from customers, prepared the daily checkout sheet, counted cash/checks, prepared the deposit, took the deposit to the bank, prepared checks for payments, posted receipts and disbursements to the ledgers, and prepared the bank reconciliations.

When controls procedures are performed by the same employee and no compensating controls are in place, the risk for material misstatement significantly increases due to error or fraud that could occur without being detected. Proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If staffing does not allow for segregation of duties, strong management oversight should be implemented.

CARROLL COUNTY  
JAMIE KINMAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2015  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2015-003 The Former Sheriff's Office Lacked Segregation of Duties Related To Controls Over Receipts, Disbursements, And Reconciliations (Continued)

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The former sheriff's office had compensating controls in place to offset these control weaknesses including: the other office staff person compared daily checkout sheets to the deposits, supporting documentation to checks written, and the bank reconciliation prepared by the bookkeeper. The review was documented by initials on the daily checkout sheet and checkbook register.

However, we noted that the former sheriff was not involved in day-to-day revenue collections or disbursements on a regular basis. We were informed the former sheriff inquired of deposits and verbally approved payments. Reviews and approvals should be evidenced by initials or signatures on supporting documents. We recommend the sheriff's office implement the following procedures to improve the sheriff's involvement in day-to-day revenue collections and disbursements on a more frequent basis:

- Recount and take the deposit to the bank, initialing the deposit ticket to document the performance of recounting the deposit.
- Perform random cash counts, initialing the daily checkout sheet to document the cash being counted.
- Review checks prepared for payment of significant purchases, initialing the invoice to document the review.
- Review daily deposits agree and are posted to the receipts ledger.
- A different person than the person that performs bank reconciliations should review the bank reconciliations for accuracy. This review should be evidenced by signature or initials of the reviewer.

*Former Sheriff's Response: No Response.*

2015-004 The Former Sheriff Did Not Implement Procedures To Analyze Operating Needs Of The Office During The Year To Ensure Disbursements Are Made Only When Funding Is Available

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As of December 31, 2015, the former sheriff's office did not have the funds to repay the remaining balance owed for the state advancement and had a deficit of \$10,067. On May 24, 2016, the Carroll County Fiscal Court contributed \$10,067 to the former sheriff's office for the repayment of the state advancement. The former sheriff's office did not budget for the hiring of an additional deputy. The former sheriff's office overspent the budget approved for deputies' and assistants' salaries by \$11,398. Failing to monitor allowable operating disbursements results in expending more on allowable operating disbursements than income earned and in expending funds on disallowed disbursements. Good accounting and budgeting practices dictate that the sheriff closely monitor disbursements to ensure there are sufficient funds available before disbursements are made and that unnecessary fees are not paid. We recommend the sheriff's office implement procedures to review the operational needs throughout the year to ensure disbursements are made only when funding is available.

*Former Sheriff's Response: Will work with this.*



