



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Hickman County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Hickman County Sheriff Mark Green. 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 statement presents fairly the receipts, disbursements, and excess fees of the Hickman County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff's financial statement is 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 the internal control over financial operations and reporting.

The audit contains the following comments:

The Hickman County Sheriff had \$388 of disallowed disbursements from the 2015 fee account. The Hickman County Sheriff had \$388 of disallowed disbursements from the fee account for calendar year 2015. These disbursements were disallowed for the following reasons:

- Disbursements totaling \$22 for late fees paid on telephone bills were not considered necessary or beneficial to the public.

- Disbursements totaling \$366 paid over to the drug forfeiture fund for calendar year 2014 disallowed drug fund disbursements were considered personal in nature due to the fact that these disallowed disbursements should have been paid from personal funds.

In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Given the fact that these disbursements did not meet the necessary criteria, they have been disallowed.

Disallowed disbursements should be repaid with a deposit of personal funds, therefore we recommend the Hickman County Sheriff repay \$388 from his personal funds to the Hickman County Fiscal Court.

Sheriff's response: The sheriffs' office has only a small amount of money to pay bills with during the first couple of months of the year due to a couple of things. We start out January of each year with 0 dollars to start off with, also most all monies that we use to pay the sheriff office bills comes from fees that we generate. To the best of my knowledge the 22\$ late fee was due to me arguing about the amount that the sheriff's office cell phone bill was. I had just made some changes to the cell phone account to save the office money and when the bill came in it wasn't what we had agreed upon. This has never been an issue before, to my knowledge this is the first time we've had this happen.

The 366\$ that was paid back wasn't personal in nature, as I previously responded in the 2014 audit...

Then Deputy [name redacted] had to go out of town for training for a week. I forgot to get the monies to him for his meals and lodging so I used the only credit card the office had at the time and that was the drug account bank debit card. By the time the audit was done for 2014 it was presented in 2015. The money's not being personal in nature was paid back from the fee account to the drug account.

Auditor's Reply:

The 2014 audit of the Hickman County Sheriff's office resulted in \$674 of disallowed disbursements from the sheriff's drug forfeiture fund. These disbursements were disallowed due to a lack of supporting documentation, with the recommendation that the sheriff reimburse the drug fund with a deposit of personal funds. Since the sheriff used 2015 fee money to reimburse the drug forfeiture fund, the 2015 fee disbursement has been disallowed.

The Hickman County Sheriff had \$2,493 of disbursements from his 2015 fee account that are questionable. This amount is questionable because the sheriff paid for cellular service on phones and devices that could not be determined to be for use of the employees or the official. According to Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Because the disbursements could not be verified to meet the necessary criteria, their validity is being questioned. We recommend the

Hickman County Fiscal Court review the questioned disbursements and make a determination if they are reasonable and allowable. If the fiscal court determines that such disbursements are not allowable, the sheriff should be held personally responsible for them.

Sheriff's response: As I have explained in my past audits, if a cell phone gets broken, stolen, or becomes inoperable for any reason I would have to open up a new account, transfer my number onto the new device which was opening a new contract. The new contract would have no usage it was just a new phone but that contract/new account would have to be paid off. According to (Vendor 1), our cell-phone provider that was the only way to handle this situation at the time since we didn't have insurance on the account. The sheriff's office also had at this time a contract with (Vendor 2) 10 emergency lines w/cell phones that we were paying for. These phones were gotten for emergency periods if (Vendor 1) was unavailable like during a period in 2009. I have since cancelled the (Vendor 2) account which included our internet service that we have in each of the sheriff's office cruisers that's used in our daily work process. We now utilize (Vendor 1) for our office phones, cell phone service, office and vehicle internet service. I am constantly monitoring these bills to make sure that we are getting the best deal that we can and that the bills are staying in the price range that we are told they would be monthly.

The Hickman County Sheriff had \$940 of disallowed disbursements from the drug forfeiture fund. These disbursements are being disallowed due to the fact that they are cash withdrawals for which the sheriff did not maintain sufficient supporting documentation. According to KRS 218A.420, seized assets and proceeds are to be used for "direct law enforcement purposes." Because the sheriff did not maintain proper documentation for these disbursements, auditors cannot establish compliance with KRS 218A.420. Therefore, we recommend that the sheriff deposit \$940 of personal funds into the drug forfeiture fund. We also recommend that in the future, the sheriff maintain sufficient supporting documentation for all disbursements from the drug forfeiture fund to establish that these funds are used for permitted law enforcement purposes.

Sheriff's response: I had 3 withdraws [sic] from the drug account in 2015 which actually totaled 950\$. Two of the withdraws [sic] were for narcotic purchases and the third was for the purchase of a used firearm from a police department that was purchasing new weapons, this weapon has been issued out to a member of this agency. All three transactions had receipts and copies of these receipts are in a file in the sheriff's office and were provided to the auditors at the time when requested.

Auditor's Reply:

Disbursements from the drug forfeiture fund were disallowed due to a lack of sufficient supporting documentation. While copies of receipts were provided to auditors during audit testing, the receipt for purchase of a firearm did not come from an outside vendor. The receipts for narcotic purchases contained date discrepancies indicating they were not completed contemporaneously with the transaction and were therefore insufficient. Because of this, these items were disallowed.

The Hickman County Sheriff failed to maintain proper accounting records for the drug forfeiture fund. The sheriff does not maintain a receipts or disbursements ledger for the drug forfeiture fund. The sheriff also failed to maintain proper support for disbursements and court

orders for receipts. During calendar year 2015, bank records revealed \$3,165 in cash receipts that had no supporting documentation, making it difficult for auditors to determine the source of these funds. Bank records also revealed \$950 in cash withdrawals that had limited supporting documentation. The sheriff maintained this cash in a vault for use when needed; however, he failed to keep a ledger for these funds, making it difficult to determine if all of the money was accounted for and how the funds were used.

Failure to maintain adequate documentation for the drug forfeiture fund transactions increases the risk that funds will be misappropriated or not spent in accordance with statutory restrictions and the corresponding court orders. Because the sheriff did not maintain ledgers and good documentation pertaining to drug forfeiture fund transactions, he exposed the drug fund to unnecessary risk.

Good internal controls dictate that the sheriff maintain receipts and disbursements ledgers for the drug forfeiture fund, including all transactions of this fund. These ledgers should be reconciled to the bank account. In addition, these transactions should be supported by documentation as to the source or use of these funds.

We recommend the sheriff maintain receipts and disbursements ledgers on the drug forfeiture fund. Additionally, we recommend the sheriff maintain supporting documentation for all drug forfeiture fund transactions. Ledgers should be reconciled to the bank statements monthly and should correspond with proper supporting documentation of all receipts and disbursements.

Sheriff's response: After it was suggested in the 2014 audit that we no longer have a debit card to use for the drug account any withdrawals [sic] that had been taken out of the drug account was kept in an envelope for any further narcotics purchases in the future. Many times a confidential informant can call and have a buy set up and if the bank isn't open there would be no way to make a cash withdraw so this is the reason for the money being kept in the evidence room. After receiving the 2014 audit I took the money out of the evidence room on April 08, 2015 depositing it back into the drug account. This was one deposit that was made into that account, the other deposits that were made into the account were from my personal funds that were told by the auditors office that I needed to repay from my 2014 audit. These deposits were made on the 9th and 10th of April 2015.

The Hickman County Sheriff's Office has weak internal controls over office assets. The Hickman County Sheriff's Office purchased equipment for law enforcement purposes. This equipment included a hand gun and various electronic devices, such as cellular phones. All of these assets are risky in nature and susceptible to misuse and misappropriation. Because of the risks associated with these types of assets, strong internal controls, such as a detailed inventory system, are essential in ensuring they are protected from misuse and theft. The sheriff's failure to inventory office assets has put them at risk.

Without a way to track office assets, equipment could be stolen or used for unofficial purposes. Maintaining an inventory list is an important control that ensures all items are accounted for. It also allows for assets to be tracked, and determine if they are being used for their intended purpose.

In order to strengthen internal controls over the assets of the sheriff's office, we recommend the sheriff establish a detailed inventory system of all equipment purchases. This system should include a detailed description of the asset, an inventory control number or serial number, the date acquired, purchase price, location, date destroyed or sold as surplus, and a brief description of why the asset was discarded. The inventory of office assets should be updated throughout the year as new assets are acquired and old assets are retired. We also recommend the sheriff conduct a physical inspection of the office's assets at the end of each year to make comparisons to the sheriff's list of inventoried assets.

Sheriff's response: I have been in the process of going through the sheriffs office as well as having each deputy/reserve deputy give a complete inventory to what we have that is owned by the Hickman County Sheriffs Office. At this time I am approximately 85% done with the inventory.

The Hickman County Sheriff's Office has noncompliance and material weaknesses over timekeeping. The Hickman County Sheriff's Office has the following noncompliance and material weaknesses over the timekeeping function:

- The sheriff's office did not have a timesheet available for one employee.
- Timesheets were not signed by the employees.
- Timesheets were not approved by the sheriff.
- Accumulated leave balances were not maintained.

KRS 337.320(1) states "[e]very employer shall keep a record of. . .[t]he hours worked each day and each week by each employee[.]" Also, strong internal controls over the timekeeping function are vital in ensuring that payroll amounts are calculated accurately. Strong internal controls over timekeeping are also important to ensure that employees are being compensated for hours actually worked and that leave balances are properly maintained and used in accordance with office policy.

Because of a lack of understanding of state statutes and internal controls over payroll, the sheriff did not require timesheets from all employees. For those employees that did have timesheets, the sheriff did not require employees' signatures or supervisory approval. Failure to maintain timesheets for all employees resulted in noncompliance with KRS 337.320. Additionally, there is an increased risk that employees were not properly compensated.

By requiring signed timesheets, the sheriff can remedy the deficiencies noted over timekeeping, and reduce the risk of disputes regarding payroll amounts and leave balances. Therefore, we recommend the sheriff strengthen internal controls over timekeeping by maintaining timesheets for all employees. The timesheets should be signed by the employees and the sheriff or a supervisor to document the approval of timesheets. Also, after each pay period, leave balances should be updated accordingly.

Sheriff's response: I have the time sheets for each of the personnel that I am responsible for. Some of the sheriffs office employees time sheets had been placed in their personnel file and were inadvertently overlooked. All time sheets are sent to the County Treasures [sic] Office for processing. In the future all time sheets will be approved by me prior to process.

The Hickman County Sheriff's Office lacks adequate segregation of duties. The Hickman County Sheriff's Office lacks adequate segregation of duties over the accounting and reporting functions. The bookkeeper is responsible for receiving cash from customers, daily checkout procedures, deposit preparation, posting to receipts and disbursements ledgers, preparing monthly bank reconciliations, and preparing quarterly reports.

A lack of segregation of duties or strong oversight increases the risk of undetected errors. This condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

A proper segregation of duties over the accounting and reporting functions, or the implementation of compensating controls, when necessary because of limited 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.

As a result, we recommend the sheriff separate the duties involved in receiving cash, daily checkout procedures, deposit preparation, posting to receipts and disbursement ledgers, monthly bank reconciliations, and preparing quarterly reports. If this is not feasible due to lack of staff, cross-checking procedures should be implemented. These procedures should be documented by the individual performing the procedure.

Sheriff's response: In 2015 I implemented QuickBooks into the sheriff's office in order for the bookkeeping process to be completed in a more timely fashion as well as all work be now computerized. Myself, the sheriff's office clerk and part-time deputy check each other's work daily. Deposits are not made daily but they are checked daily. Bank statements are double checked to deposits/withdrawals to check for any discrepancies. The system is better than it's ever been in the sheriff's office.

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](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

