REPORT OF THE AUDIT OF THE BELL COUNTY SHERIFF

For The Year Ended
December 31, 2017

MIKE HARMON
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The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Mitch Williams, Bell County Sheriff
Members of the Bell 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 Bell 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.

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The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Mitch Williams, Bell County Sheriff
Members of the Bell 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 Bell 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 Bell 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 Bell 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 September 28, 2018, on our consideration of the Bell 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 Bell 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 Bell County Sheriff Overspent The Amount Fixed By The Fiscal Court For His Official Expenses
2017-002 The Bell County Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
2017-003 The Bell County Sheriff Did Not Prepare Accurate Receipts And Disbursements Ledgers

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

September 28, 2018

BELL COUNTY
MITCH WILLIAMS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts		
State Fees For Services:		
Finance and Administration Cabinet	$ 105,313	
Sheriff Security Service	18,872	$ 124,185
Circuit Court Clerk:		
Fines and Fees Collected		930
Fiscal Court		96,377
County Clerk - Delinquent Taxes		26,215
Commission On Taxes Collected		421,567
Fees Collected For Services:		
Auto Inspections	13,270	
Accident and Police Reports	1,449	
Serving Papers	37,292	
Carry Concealed Deadly Weapon Permits	7,280	
Mental Transports	12,689	71,980
Other:		
Add-On Fees	67,503	
Miscellaneous	1,757	
Telecommunications Commission	3,726	72,986
Interest Earned		5,057
Total Receipts		819,297

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

BELL COUNTY
MITCH WILLIAMS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2017
(Continued)

Disbursements		
Operating Disbursements:		
Materials and Supplies-		
Office Materials and Supplies	$ 735	
Uniforms	1,806	
Other Charges-		
Serving Papers	4,145	
Postage	5,139	
Food for Jurors	311	
Employee Training	5,851	
Miscellaneous	1,099	
Total Disbursements		$ 19,086
Net Receipts		800,211
Less: Statutory Maximum		88,124
Excess Fees		712,087
Less: Training Incentive Benefit		3,039
Excess Fees Due County for 2017		709,048
Monthly Payments to Fiscal Court		709,048
Balance Due Fiscal Court at Completion of Audit		$ 0

BELL 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 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Bell County Sheriff's office is required by the fiscal court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts collected for others. Residual funds are then paid to the county treasurer on a monthly basis. Invoices are submitted to the county treasurer to document operating expenses. The fiscal court approved a resolution on June 13, 2017, to allow the sheriff to spend up to $3,000 per month from the fee account for allowable expenditures. The fiscal court pays all other operating expenses for the fee official.

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.

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.

Hazardous

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent

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

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

Hazardous (Continued)

of their salary to be allocated as follows: eight 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. Hazardous members contribute eight 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 hazardous member's account is credited with a seven and one-half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 31.06 percent for the first six months and 31.55 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:

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

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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for

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

each year of the deceased employee's hazardous service. 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 Bell 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 Bell 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. State Forfeiture Funds Account

On January 1, 2017, the sheriff had a balance of $32,911 in the state forfeiture account. These funds had been released to the sheriff's office by court order and were used for law enforcement activities in accordance with court orders. During calendar year 2017, the sheriff earned interest totaling $600, and expended $8,251, leaving a balance of $25,260 as of December 31, 2017.

Note 5. Federal Asset Forfeiture Funds Account

On January 1, 2017, the sheriff had a balance of $4,264 in the federal forfeiture account for funds released to the sheriff by federal court order. These funds were used to support community policing activities, training, and law enforcement operations aimed at further drug seizures and forfeitures. During calendar year 2017, the sheriff earned interest totaling $85, and properly expended $25, leaving a balance of $4,324 as of December 31, 2017.

Note 6. K-9 Donated Funds Account

On January 1, 2017, the sheriff had a balance of $3 in a K-9 account for monies received from various individuals and civic groups to support the purchase and/or upkeep of a K-9 unit. The sheriff received $55 and expended $55 during calendar year 2017, leaving a balance of $3 as of December 31, 2017.

Note 7. Discretionary Account

On January 1, 2017, the sheriff had a balance of $3,760 in an account for monies received as donations to be used to further the public purposes of the sheriff's office. During calendar year 2017, the sheriff's office earned interest totaling $71 and expended $665, leaving a balance of $3,166 as of December 31, 2017.

Note 8. On Behalf Payments

The Bell County Sheriff's office is required by the fiscal court to participate in a fee pooling system. Since the sheriff is fee pooling, the fiscal court pays the sheriff's statutory maximum and training incentive as reflected on the sheriff's financial statement. For the year ended December 31, 2017, the fiscal court's contributions recognized by the sheriff included the amounts that were based on the statutory maximum as required by KRS 64.5275. The Bell County Sheriff recognized receipts from the fiscal court and disbursements for the statutory maximum of $88,124 and training incentive of $3,039 for the year ended December 31, 2017.

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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*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Mitch Williams, Bell County Sheriff
Members of the Bell 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 Bell County Sheriff for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated September 28, 2018. The Bell 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 Bell 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 Bell County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bell County Sheriff's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-003 to be a material weakness.

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Internal Control over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bell 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 is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-003.

Views of Responsible Official and Planned Corrective Action

The Bell County Sheriff's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The Bell 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

September 28, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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BELL COUNTY
MITCH WILLIAMS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Bell County Sheriff Overspent The Amount Fixed By The Fiscal Court For His Official Expenses

This is a repeat finding and was included in the prior year audit report as finding 2016-001. The sheriff's operating expenditures exceeded the maximum amount fixed by the Bell County Fiscal Court. The fiscal court had approved budgeted expenditures totaling $9,600. The fiscal court passed a resolution on June 13, 2017, authorizing the sheriff's office to spend $3,000 per month for allowable expenditures. The sheriff's actual disbursements for calendar year 2017 totaled $19,086. The sheriff did not amend his original budget to include any additional amounts spent as a result of the resolution passed by the fiscal court.

The sheriff was unaware that he should amend his approved budget to include any additional expenditures. Also, the sheriff did not properly monitor his approved budget to actual amounts. As a result, the sheriff overspent the approved budget by $9,486.

KRS 64.530(3) states, in part, "[t]he fiscal court may also fix the reasonable maximum amount that the officer may expend each year for expenses of his office."

We recommend the sheriff ensure that official expenses are within the amount fixed by the fiscal court, monitor his budget, and if necessary submit budget amendments to the fiscal court for approval by year-end.

Sheriff's Response: This is a learning process for a new bookkeeper as she was unaware of the capability to amend budgets already set into place. This has been corrected for the 2018 fiscal year. A large portion of the overage on expenditures was a payment to the United States Postal Service. The Sheriff's office now uses a postage permit which saved the county over $3,000 on postage. Although this was not budgeted for the 2017 fiscal year, it has since been corrected for the 2018 year.

2017-002 The Bell County Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

Incompatible duties create a lack of segregation of duties over receipts, disbursements, and reconciliations. The bookkeeper can collect payments from customers, prepares deposits, prepares daily checkouts, posts to the receipts and disbursements ledgers, and prepares monthly and quarterly reports. The bookkeeper also reconciles bank records to the ledgers and reports, prepares and signs checks, and performs monthly bank reconciliations. The sheriff has implemented some compensating controls; however, they were not sufficient to compensate for the lack of segregation of duties.

The lack of segregation of duties occurs because the sheriff has failed to segregate incompatible duties. The sheriff stated he cannot hire additional employees to allow segregation of duties due to budget limitations.

This deficiency increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. As a result, the sheriff's fourth quarter financial report had numerous reclassifications and adjustments because receipts and disbursements were not posted correctly to ledgers.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, and recording receipts and disbursements, 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.

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-002 The Bell County Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations (Continued)

We recommend the sheriff separate the duties over receipts, disbursements, and reconciliations. If this is not feasible due to limited staff, then strong oversight should be provided over these duties. These reviews should be properly documented by initialing daily checkout sheets, receipts and disbursements ledgers, and bank reconciliations.

Sheriff's Response: Upon advisement to separate the duties of receipts, disbursements and reconciliations, we have implemented that a designated person will place their signature on any checkout sheet to provide knowledge that they reviewed what receipts and money were being deposited that day. We have also purchased Quickbooks, a new accounting software. We will continue to correct this particular area.

2017-003 The Bell County Sheriff Did Not Prepare Accurate Receipts And Disbursements Ledgers

The sheriff uses Excel for his receipts and disbursements ledgers. Due to incorrect formulas in the Excel workbook, some receipts were not included in the totals for the month. In addition, many receipts were not classified correctly on the receipts ledger. The disbursements ledger included the date of the check, payee, and amount; however, disbursements were not posted to an expense category.

Lack of sufficient training in the use of Excel software to prepare accurate receipts and disbursements ledgers resulted in the ledgers not being complete with all income and disbursements. Furthermore, lack of knowledge in the proper classification of receipts and disbursements resulted in numerous adjustments and reclassifications to the sheriff's fourth quarter financial report. In addition, lack of supervisory review allowed these undetected errors.

As a result, the auditor recommended the following adjustments and reclassifications:

- Five adjustments to include income of $2,321 that was not included on the fourth quarter financial report
- Thirty-one reclassifications to receipts for amounts that were in the wrong categories
- Two adjustments to include expenditures of $63 and $40 for serving papers not included on the fourth quarter report
- One adjustment to include $450 for postage not included on fourth quarter financial report
- Three reclassifications to disbursements for amounts that were in the wrong category

KRS 68.210 gives the state local finance officer the authority to require a uniform system of accounts. KRS 43.075(3) states, in part "[t]he Auditor shall…determine whether the fiscal court or county official is complying with the requirements of the uniform system of accounts adopted under KRS 68.210, whether there is accurate recording of receipts by source and expenditures by payee[.]"

We recommend the sheriff ensure the receipts and disbursement ledgers are accurate and reconcile to the bank account.

Sheriff's Response: We have purchased the QuickBooks accounting software which will in turn replace our Excel program all together. This has been corrected for future years.