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FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Franklin County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Franklin County Sheriff Pat Melton. 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 Franklin 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 non-compliance 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 sheriff did not ensure compliance with the impaired driving federal grant requirements, resulting in \$29,515 questioned costs. On July 25, 2014, the sheriff's office was awarded a highway safety grant (Impaired Driving #M5-15-12; CFDA #20.601) in the amount of up to \$33,500 for contract year October 1, 2014 through September 30, 2015 by the Kentucky Transportation Cabinet's Office of Highway Safety. The main purpose of this grant is to reduce fatalities on Kentucky roadways, minimize injuries to individuals and property, and to educate the public in ways to do this by allowing the sheriff to request reimbursement for overtime and benefits. All grants administered by the Kentucky Transportation Cabinet's Office

of Highway Safety are reimbursement based. Reimbursements are for direct costs only. During the grant period, the sheriff was reimbursed \$29,515, which included \$26,358 for salaries and benefits for 822 overtime hours, and \$3,157 for fuel costs incurred during patrol hours.

During our review of controls over federal grant reimbursements, the following issues were noted:

- Reimbursement request forms submitted were inaccurate. A minimum of 80 hours of overtime reimbursed was for hours earned at straight time, retirement rates and worker's compensation rates were incorrect, and matching retirement was reimbursed for one employee who did not have retirement withheld.
- Reimbursement request forms submitted to the Kentucky Transportation Cabinet did not contain any of the required supporting documentation.
- There was no supporting documentation for fuel costs listed on the Reimbursement Request Forms. Per inquiry, the amounts were calculations of 10% of total overtime requested rather than actual mileage paid to officers.
- One officer worked more than six hours overtime per day on this grant.
- Less than 23% of overtime was worked between the hours of 6:00pm and 5:59am during the grant period.
- Timesheets did not always have both the employee and employer signatures.
- Manual changes on timesheets were frequent and not initialed to show authorization of changes.
- Overtime request forms did not always have both the employee and employer signatures, did not always agree to timesheets, did not always specify which federal overtime grant the officer was working on, and did not always specify what times the overtime hours were worked.

There was no direct oversight of grant reimbursement requests. The lack of documentation and oversight of the grant reimbursements resulted in questioned costs totaling \$29,515 and significantly increased the risk of misuse of funds.

The grant agreement states:

The Franklin County Sheriff's office is to assign officers the appropriate number of hours of overtime enforcement per week at identified crash locations, probable crash locations, and identified or probable locations where hazardous motor vehicle violations occur. Officers will utilize the overtime enforcement to increase police visibility and police traffic enforcement of hazardous motor vehicle violations. In addition to hazardous motor vehicle violations, officers will concentrate enforcement on seat belt usage and child restraint usage.

The grantee shall submit requests for reimbursement on a regular basis. Backup documentation showing that the work/expenditures for which the grantee is requesting reimbursement has been completed shall be included, along with monthly activity reports.

Salary and benefit requests must contain the following:

1. Copies of the employee's timesheets with the signatures and printed names of the employee and the employee's supervisor.
2. The detail activity log, with the signature and printed names of the officer and supervisor, will be sufficient in lieu of timesheet for law enforcement personnel.
3. Payroll reports which demonstrate the costs associated with that employee, i.e. wages, withholdings, insurance, retirement, etc.
4. Cancelled payroll checks are not required.

Travel expense reimbursement requests must contain the following:

1. Copy of the employee's travel request form which contain the signatures and printed names of the employee and the employee's supervisor.
2. Copy of travel receipts for items such as hotels, air fare, etc.
3. Travel form must denote the destination and purpose of travel.
4. Copy of cancelled travel reimbursement check paid to employee.
5. Mileage rate must be included on the travel request form.

Officers are limited to 6 hours of federally funded overtime within a 24 hour period from the time they begin their initial overtime shift.

Due to the number of fatal crashes occurring during nighttime hours and specifically lower nighttime seat belt usage, each law enforcement agency shall dedicate a minimum of 50% of their overtime to nighttime enforcement regardless of the assigned program area, i.e. impaired driving, speeding or occupant protection. Nighttime refers to hours between 6:00pm and 5:59am.

We recommend the sheriff implement controls over grant reimbursements in order to ensure compliance with grant requirements. We will refer this finding to the Kentucky Transportation Cabinet.

Sheriff's Response: I, the sheriff, chose to allow the Grant Coordinator to respond on my behalf. This is the Grant Coordinator's response:

- Reimbursement request forms were inaccurate – We had an employee that was working federal overtime that was not collecting retirement benefits because he had already retired. I was unaware of this problem. It was the first time in my experience as a grant manager that I had someone retired that was working the grant. This has since been corrected by only collecting for his overtime rate minus the benefits.
- 80 hours of overtime was incorrectly reimbursed at time and a half – This is because employees had sent in overtime requests to me in the form of overtime detail logs. Coincidentally. Some had taken sick or comp time during the week and I was unaware of this. I have never been in the chain of paperwork that would have led me to this discovery. It has always been the deputy's responsibility to fill out the timesheets correctly. Since this report, I have sent out an email to all employees detailing this problem and do not foresee that it will be a problem in the future.
- The reimbursement request forms submitted to the Kentucky Transportation Cabinet did not have any supporting documentation – No other forms have ever been requested of me

in my tenure as a grant manager for any of the grants for this agency or my previous agency. I have only been required to submit the forms found on the Highway Safety Grant page.

- *No supporting documentation of fuel costs – The FOT grant specifically states that we are repaid at a flat 10% of the total award for overtime. We are not required to provide any documentation.*
- *One officer worked more than 6 hours overtime per day on this grant – I was unaware of this. I make every attempt to verify they do not work more than 6 hours in a 24 hour period. However, the deputy may have come on duty to start his 6 hour block at the 23 hour mark on a couple of occasions. The deputy worked before the start of his shift and afterwards. There may have been some minor overlap.*
- *Less than 23% overtime was worked between 1800-0559 hours. This is a requirement to work 50% between 1800-0559 – Historically, this requirement usually evens itself out. However, under this current grant I had more people working it that did not work these hours. This has been corrected via an email sent to all employees working federal overtime. I have sent an email directing all employees to verify that they are working at least 50% during the required time frame.*
- *Timesheets do not always have the employee and the employer signatures on them and timesheets had manual changes on them with no initials to show authorization – This is not within my duties as grant manager. I have no control over this. Our front office staff has been made aware of this problem and it should not happen in the future.*
- *Overtime request forms do not always have both the employee and employer signatures, did not always agree to timesheets, did not specify which federal overtime grant the officer was working on, and did not always specify what times the overtime hours were worked – This is not within my duties as grant manager. I have no control over this. Our front office staff has been made aware of this problem and it should not happen in the future. I have also made the deputies aware that they must specify the grant number on their overtime sheets.*

Auditor's Reply: All forms and supporting documentation discussed in the finding are required per the grant agreement. Also, per the grant agreement, fuel costs are reimbursed for actual expenditures up to 10% with adequate supporting documentation, as excerpted in the comment above.

The sheriff did not ensure compliance with the distracted driving federal grant requirements, resulting in \$8,516 questioned costs. In March of 2015, the sheriff's office was awarded a highway safety grant (Distracted Driving #DD-15-04; CFDA #20.205) in the amount of up to \$15,000 for contract period of April 1, 2015 through April 30, 2015 by the Kentucky Transportation Cabinet's Office of Highway Safety. The main purpose of this grant is to reduce fatalities on Kentucky roadways, minimize injuries to individuals and property, and to educate the public in ways to do this. All grants administered by the Kentucky Transportation Cabinet's Office of Highway Safety are reimbursement based. Reimbursements are for direct costs only. During the grant period, the sheriff was reimbursed \$8,516 for salaries and benefits for 248 overtime hours.

During our review of controls over federal grant reimbursements, the following issues were noted:

- The Reimbursement Request Form submitted was inaccurate. A minimum of 60 hours of overtime reimbursed was for hours earned at straight time, retirement rates and worker's compensation rates were wrong, and matching retirement was reimbursed for one employee who did not have retirement withheld.
- The Reimbursement Request Form submitted to the Kentucky Transportation Cabinet included overtime detail logs but none of the other required supporting documentation. The overtime detail logs submitted detailed 450 overtime hours worked on the grant. This number of hours was overstated. Based on timesheets during the grant period, only 188 hours were overtime hours worked that were eligible for and compensated at a rate of time and one half.
- The Reimbursement Request Form submitted requested reimbursement for overtime hours worked by 12 officers.
- Officers worked less than two days/nights per week.
- Less than 32% of overtime was worked between the hours of 6:00pm and 5:59am during the grant period.
- Timesheets did not always have both the employee and employer signatures.
- Manual changes on timesheets were frequent and not initialed to show authorization of changes.
- Overtime request forms, which were considered as the activity detail log, did not always have both the employee and employer signatures, did not always agree to timesheets, did not always specify which federal overtime grant the officer was working on, and did not always specify what times the overtime hours were worked.

There was no direct oversight of grant reimbursement requests. The lack of documentation and oversight of the grant reimbursements resulted in questioned costs totaling \$8,516 and significantly increased the risk of misuse of funds.

The grant agreement states:

Beginning with start-date approval, officers with the agency will work overtime traffic enforcement to provide additional coverage during peak, high-risk periods such as weekends and holidays to reduce the number of distracted driving collisions. One or two officer(s) will work on an overtime basis for no less than two days/nights per week.

All reimbursement requests must contain documentation which demonstrates the expenditures were incurred and paid for.

Salary and benefit requests must contain the following:

1. Copies of the employee's timesheets with the signatures and printed names of the employee and the employee's supervisor.
2. The detail activity log, with the signature and printed names of the officer and supervisor, will be sufficient in lieu of timesheet for law enforcement personnel.

3. Payroll reports which demonstrate the costs associated with that employee, i.e. wages, withholdings, insurance, retirement, etc.
4. Cancelled payroll checks are not required.

Officers are limited to 6 hours of federally funded overtime within a 24 hour period from the time they begin their initial overtime shift.

Due to the number of fatal crashes occurring during nighttime hours and specifically lower nighttime seat belt usage, each law enforcement agency shall dedicate a minimum of 50% of their overtime to nighttime enforcement regardless of the assigned program area, i.e. impaired driving, speeding or occupant protection. Nighttime refers to hours between 6:00pm and 5:59am.

We recommend the sheriff implement controls over grant reimbursements in order to ensure compliance with grant requirements. We will refer this finding to the Kentucky Transportation Cabinet.

Sheriff's response: I, the sheriff, chose to allow the Grant Coordinator to respond on my behalf. This is the Grant Coordinator's response:

- *The reimbursement request form was inaccurate - We had an employee that was working federal overtime that was not collecting retirement benefits because he had already retired. I was unaware of this problem, it was the first time in my experience as a grant manager that I had someone retired who was working the grant. This has since been corrected by only collecting for his overtime rate minus the benefits. This is because employees had sent in overtime requests to me in the form of overtime detail logs. Coincidentally. Some had taken sick or comp time during the same week and I was unaware of this. I have never been in the chain of paperwork that would have led me to this discovery. It has always been the deputy's responsibility to fill out the timesheets correctly. Since this report, I have sent out an email to all employees detailing this problem and do not foresee that it will be a problem in the future.*
- *Reimbursement Request Form submitted to the Kentucky Transportation Cabinet included overtime detail logs but none of the other required supporting documentation - This is because employees had sent in overtime requests to me in the form of overtime detail logs. Some had taken sick or comp time during the same week and I was unaware of this. I have never been in the chain of paperwork that would have led me to this discovery. It has always been the deputy's responsibility to fill out the timesheets correctly. Since this report, I have sent out an email to all employees detailing this problem and do not foresee that it will be a problem in the future.*
- *Officers worked less than two days/nights per week - It is of our belief that we had to have officers work at least 2 nights per week, total. Not every officer that is assigned had to work 2 nights minimum.*
- *Less than 32% of overtime was worked between the hours of 6:00pm and 5:59 am during the grant period - Historically, this requirement usually evens itself out. However, under this current grant I had more people working it that did not work during these hours. This has been corrected via an email sent to all employees working federal overtime. I*

have sent an email directing all employees to verify that they are working at least 50% during the required time frame.

- *Timesheets did not always have both the employee and employer signatures - This is not within my duties as a grant manager. I have no control over this. Our front office staff have been made aware of this problem and it should not happen in the future.*
- *Manual changes on timesheets were frequent and not initialed to show authorization of changes - This is simply a matter of employees miscalculating or making a mistake on their hours or days they worked. Our office manager or our sergeants who review the time sheets first make changes for the deputies after discussing it with them in person or over the phone.*
- *Overtime request forms did not always have both the employee and employer signatures, did not always agree to timesheets, did not always specify which federal overtime grant the officer was working on, and did not always specify what times the overtime hours were worked - I was not aware that the deputies had to make specification on their timesheets as to which overtime they were working. There is another form, the overtime detail log, that shows which grant the employee worked and was calculated by the office of Highway Safety at the Department of Transportation. The times the deputies worked were also reported on these forms if not on the time sheets as well. We are running 2 types of grants this year as well. When the second grant starts operation I will specify on time sheets as well as overtime detail logs as to which specific grant they are working on.*

The sheriff did not properly handle state and federal asset forfeiture funds. The sheriff maintained one bank account, instead of separate accounts, for the state and federal asset forfeiture funds, disbursed five percent of all cash forfeited to the Franklin County Drug Court which goes against the guidance set forth in the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*, and did not prepare a Schedule of Expenditures of Federal Awards (SEFA).

Controls were not in place to ensure that state and federal asset forfeiture funds were properly handled. These conditions resulted in the U.S. Department of Justice issuing a “Do Not Spend Notification” on the consolidated confiscation account.

The U.S. Department of Justice’s *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* requires “all participating state and local law enforcement agencies must implement standard accounting procedures and internal controls (e.g., tracking share requests and receipts, electronically depositing shares and internal controls into a separate revenue account or accounting code) to track equitably shared monies and tangible property.” Those procedures must be consistent with those set by the Department of Justice: “the sheriff should not commingle Department of Justice equitable sharing funds with funds from any other source.”

The guide further states, “[s]tate and local law enforcement agencies are prohibited from making cash transfers or donations to support community-based programs. Instead, agencies may directly purchase supplies, equipment, and/or services for eligible community-based programs, or reimburse such programs for eligible expenditures with a valid, itemized receipt.”

Lastly, OMB Circular A-133, Subpart C, section .300 states in part: “The auditee shall. . .(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310.” OMB Circular A-133, Subpart C, section.310(b) states: “[t]he auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements.”

At a minimum, the schedule should include the following, if applicable:

- A listing of individual federal programs by federal agency.
- For federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- Provide total federal awards expended for each individual federal program and the Catalogue of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.
- Include notes that describe the significant accounting policies used in preparing the schedule.
- To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each federal program.
- Include, in either the schedule or a note to the schedule, the value of the federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end. While not required, it is preferable to present this information in the schedule.

We recommend that the sheriff ensure that state and federal asset forfeiture funds are not commingled, that only permissible expenditures are made, and that a Schedule of Expenditures of Federal Awards is prepared and submitted as required.

Sheriff’s response: The Federal Government looked over our account. We had no idea we had not done some practices that they require. We have been trained from former employees on the requirements that did not include the standard practices for the Federal Government. This account has been done the same way for years. This is the first that it has been brought to our attention from Auditors or the Federal Government. We have made immediate change and all requirements are now being met.

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

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

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