

**REPORT OF THE AUDIT OF THE
FRANKLIN COUNTY
SHERIFF**

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



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
FRANKLIN COUNTY SHERIFF

For The Year Ended
December 31, 2015

The Auditor of Public Accounts has completed the Franklin 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 increased by \$16,084 from the prior year, resulting in excess fees of \$31,014 as of December 31, 2015. Receipts increased by \$80,442 from the prior year and disbursements increased by \$64,358.

Report Comments:

- 2015-001 The Sheriff Did Not Ensure Compliance With The Impaired Driving Federal Grant Requirements, Resulting In \$29,515 Questioned Costs
- 2015-002 The Sheriff Did Not Ensure Compliance With The Distracted Driving Federal Grant Requirements, Resulting In \$8,516 Questioned Costs
- 2015-003 The Sheriff Did Not Properly Handle State And Federal Asset Forfeiture Funds

Deposits:

The sheriff's deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Huston Wells, Franklin County Judge/Executive
The Honorable Pat Melton, Franklin County Sheriff
Members of the Franklin 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 Franklin 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 Huston Wells, Franklin County Judge/Executive
The Honorable Pat Melton, Franklin County Sheriff
Members of the Franklin 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 Franklin 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 Franklin 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 Franklin 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 February 2, 2017 on our consideration of the Franklin 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 Huston Wells, Franklin County Judge/Executive
The Honorable Pat Melton, Franklin County Sheriff
Members of the Franklin 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 discuss the following report comments:

- 2015-001 The Sheriff Did Not Ensure Compliance With The Impaired Driving Federal Grant Requirements, Resulting In \$29,515 Questioned Costs
- 2015-002 The Sheriff Did Not Ensure Compliance With The Distracted Driving Federal Grant Requirements, Resulting In \$8,516 Questioned Costs
- 2015-003 The Sheriff Did Not Properly Handle State And Federal Asset Forfeiture Funds

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal stroke extending to the right.

Mike Harmon
Auditor of Public Accounts

February 2, 2017

FRANKLIN COUNTY
PAT MELTON, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

Federal Grants	\$	38,031
State Fees For Services:		
Finance and Administration Cabinet	\$	147,229
Sheriff Security Service		44,138
Transporting Prisoners		<u>14,178</u>
		205,545
Circuit Court Clerk:		
Fines and Fees Collected		965
Fiscal Court		108,797
County Clerk - Delinquent Taxes		69,898
School Board - School Resource Officer Support		178,445
Commission On Taxes Collected		1,047,932
Fees Collected For Services:		
Corrisoft	750	
Auto Inspections	15,414	
Accident and Police Reports	3,054	
Serving Papers	71,046	
Carrying Concealed Deadly Weapon Permits	<u>18,170</u>	108,434
Other:		
Add-On Fees	55,883	
Sale of Surplus Items	15,142	
Miscellaneous	<u>16,971</u>	87,996
Interest Earned		<u>1,559</u>
Total Receipts		1,847,602

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

FRANKLIN COUNTY
 PAT MELTON, 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	\$ 1,199,346	
School Resource Officer Salaries	125,985	
Employee Benefits-		
School Resource Officer Benefits	52,154	
Other Benefits	8,364	
Contracted Services-		
Advertising	450	
Vehicle Maintenance and Repairs	38,062	
Computer Fees	3,751	
Materials and Supplies-		
Office Materials and Supplies	7,113	
Uniforms	13,277	
Auto Expense-		
Gasoline	90,264	
Other Charges-		
Conventions and Travel	600	
Dues	2,564	
Postage	12,052	
Out of State Transport	4,069	
Bond	821	
Training	14,307	
Miscellaneous	3,527	
Jury	221	
Telephone	8,749	
Capital Outlay-		
Office Equipment	13,834	
Vehicles	108,711	
		<u> </u>
Total Disbursements		\$ 1,708,221
Net Receipts		139,381
Less: Statutory Maximum		<u>104,426</u>
Excess Fees		34,955
Less: Training Incentive Benefit		<u>3,941</u>
Excess Fees Due County for 2015		31,014
Payment to Fiscal Court - March 23, 2016		<u>25,000</u>
Balance Due Fiscal Court at Completion of Audit		<u><u>\$ 6,014</u></u>

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

FRANKLIN 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 the following, including but not limited to, 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).

FRANKLIN 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.

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 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. The county's contribution rate for hazardous employees was 34.31 percent for the first six months and 32.95 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2014, 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) and eight percent (hazardous) 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) and seven and one-half percent (hazardous) 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.

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.

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:

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

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

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, such employee's spouse receives ten dollars per month for insurance benefits for 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 Franklin 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 Franklin 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, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 4. Lease Agreement

The Franklin County Sheriff entered into a lease for a copier in November 2011. The agreement requires a monthly payment of \$179 for 63 months to be completed on May 31, 2017. Total principal payments for 2015 were \$1,828. The total remaining balance of the agreement was \$2,862 as of December 31, 2015.

Note 5. Federal Overtime Grants

A. Distracted Driving Enforcement

The Franklin County Sheriff was awarded a federal overtime grant specifically for distracted driving enforcement, not to exceed \$15,000. This grant passed through the Kentucky Transportation Cabinet Office of Highway Safety. The sheriff requested and received reimbursement in the amount of \$8,516 for a total of 248 overtime hours during the grant period.

B. Impaired Driving Enforcement

The Franklin County Sheriff was awarded a federal overtime grant specifically for impaired driving enforcement, not to exceed \$33,500. This grant passed through the Kentucky Transportation Cabinet Office of Highway Safety. The sheriff requested and received reimbursement totaling \$29,515. Of this amount, \$26,358 was for 822 overtime hours and \$3,157 was for fuel used while patrolling.

Note 6. Confiscation and Forfeiture Account

The sheriff's office maintains an account for proceeds from the confiscation, surrender, or sale of real and personal property involved in state drug related convictions and from the federal government for participating in investigations or prosecutions that resulted in forfeited federal drug money.

State forfeiture funds are to be used for law enforcement activities and are not available for excess fee purposes. Federal forfeiture funds are to be used for law enforcement activities, including training, equipment, operations, facilities, and drug education awareness, etc. These funds are not available for excess fee purposes.

The consolidated balance in this account at January 1, 2015 was \$13,621. There were \$61,431 in receipts and \$32,619 in disbursements. The ending balance as of December 31, 2015 was \$42,433.

Note 7. State Forfeiture Account

On June 16, 2015, the sheriff's office opened an account for the purpose of separating state forfeiture funds from the confiscation and forfeiture account. Proceeds received from the confiscation, surrender, or sale of real personal property involved in state related convictions are to be used for law enforcement activities and are not available for excess fee purposes. Between June 16, 2015 and year-end, funds totaling \$23,853 were received and \$18,736 were expended, leaving an ending balance of \$5,117 as of December 31, 2015.

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

Note 8. Donation Account

The sheriff's office maintains an account for donations. The balance at January 1, 2015 was \$713. Funds totaling \$100 were received and there were no disbursements. The ending balance as of December 31, 2015 was \$813.

Note 9. Operation Lifesaver Account

The sheriff's office maintains an account for the Operation Lifesaver Program. The balance at January 1, 2015 was \$1,728. There were no receipts and no disbursements. The ending balance as of December 31, 2015 was \$1,728.

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 Huston Wells, Franklin County Judge/Executive
The Honorable Pat Melton, Franklin County Sheriff
Members of the Franklin 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 Franklin County Sheriff for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated February 2, 2017. The Franklin 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 Franklin 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 Franklin County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin 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 2015-001, 2015-002, and 2015-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin 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, 2015-002, and 2015-003.

Sheriff's Responses to Findings

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

February 2, 2017

COMMENTS AND RECOMMENDATIONS

FRANKLIN COUNTY
PAT MELTON, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 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.

FRANKLIN COUNTY
PAT MELTON, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-001 The Sheriff Did Not Ensure Compliance With The Impaired Driving Federal Grant Requirements, Resulting In \$29,515 Questioned Costs (Continued)

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.

FRANKLIN COUNTY
 PAT MELTON, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2015
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-001 The Sheriff Did Not Ensure Compliance With The Impaired Driving Federal Grant Requirements Resulting In \$29,515 Questioned Costs (Continued)

Sheriff's Response: (Continued)

- 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.

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For The Year Ended December 31, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 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.

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 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2015
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 The Sheriff Did Not Ensure Compliance With The Distracted Driving Federal Grant Requirements Resulting In \$8,516 Questioned Costs (Continued)

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.*

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FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 The Sheriff Did Not Ensure Compliance With The Distracted Driving Federal Grant Requirements Resulting In \$8,516 Questioned Costs (Continued)

Sheriff's Response: (Continued)

- *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.*

2015-003 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."

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FINANCIAL STATEMENT FINDINGS: (Continued)

2015-003 The Sheriff Did Not Properly Handle State And Federal Asset Forfeiture Funds (Continued)

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.

