

**REPORT OF THE AUDIT OF THE
HICKMAN COUNTY
SHERIFF**

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT OF THE
HICKMAN COUNTY SHERIFF

For The Year Ended
December 31, 2015

The Auditor of Public Accounts has completed the Hickman County Sheriff's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$425 from the prior year, resulting in excess fees of \$8,939 as of December 31, 2015. Receipts decreased by \$7,138 from the prior year and disbursements decreased by \$6,713.

Report Comments:

- 2015-001 The Hickman County Sheriff Had \$388 Of Disallowed Disbursements From The 2015 Fee Account
- 2015-002 The Hickman County Sheriff Had \$2,493 Of Questionable Disbursements From The 2015 Fee Account
- 2015-003 The Hickman County Sheriff Had \$940 Of Disallowed Disbursements From The Drug Forfeiture Fund
- 2015-004 The Hickman County Sheriff Failed To Maintain Proper Accounting Records For The Drug Forfeiture Fund
- 2015-005 The Hickman County Sheriff's Office Has Weak Internal Controls Over Office Assets
- 2015-006 The Hickman County Sheriff's Office Has Noncompliance And Material Weaknesses Over Timekeeping
- 2015-007 The Hickman County Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kenny Wilson, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman 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 Hickman 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 Kenny Wilson, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman 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 Hickman 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 Hickman 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 Hickman 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 March 30, 2017, on our consideration of the Hickman 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 Kenny Wilson, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2015-001 The Hickman County Sheriff Had \$388 Of Disallowed Disbursements From The 2015 Fee Account
- 2015-002 The Hickman County Sheriff Had \$2,493 Of Questionable Disbursements From The 2015 Fee Account
- 2015-003 The Hickman County Sheriff Had \$940 Of Disallowed Disbursements From The Drug Forfeiture Fund
- 2015-004 The Hickman County Sheriff Failed To Maintain Proper Accounting Records For The Drug Forfeiture Fund
- 2015-005 The Hickman County Sheriff's Office Has Weak Internal Controls Over Office Assets
- 2015-006 The Hickman County Sheriff's Office Has Noncompliance And Material Weaknesses Over Timekeeping
- 2015-007 The Hickman County Sheriff's Office Lacks Adequate Segregation of Duties

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

March 30, 2017

HICKMAN COUNTY
 MARK GREEN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$		6,977
Child Support Enforcement			50
State Fees For Services			70,183
Circuit Court Clerk:			
Fines and Fees Collected			726
Fiscal Court			39,291
County Clerk - Delinquent Taxes			2,997
Commission On Taxes Collected			102,890
Fees Collected For Services:			
Auto Inspections	\$	1,605	
Accident and Police Reports		92	
Serving Papers		4,323	
Carrying Concealed Deadly Weapon Permits		1,865	
Transporting Fugitives		363	8,248
Other:			
Add-On Fees		8,074	
Miscellaneous		2,046	
Meals for Jurors		183	
Election Commissions		150	10,453
Interest Earned			74
Borrowed Money:			
State Advancement			28,000
Total Receipts			269,889

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

HICKMAN COUNTY
 MARK GREEN, 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-

Deputy's Salary	\$ 29,098
Courthouse Security	57,537
Part-Time Salaries	6,000
KLEFPF	5,850

Employee Benefits-

KLEFPF Retirement	1,034
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Contracted Services-

Advertising	85
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Auto Expense-

County Car Service Mileage	30,641
Vehicle Maintenance and Repairs	771

Materials and Supplies-

Ammunition	999
Office Materials and Supplies	3,921
Uniforms	2,457
Telephone	6,878
Internet	714

Other Charges-

Training	2,369
Dues	417
Postage	2,646
Meals for Jurors	183
Miscellaneous	1,258
Trip Receipts	199

Capital Outlay-

Tax Support Maintenance	<u>1,500</u>	\$ 154,557
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Debt Service:

State Advancement	<u>28,000</u>
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The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY
 MARK GREEN, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

Disbursements (Continued)

Total Disbursements	\$ 182,557	
Less: Disallowed Disbursements	<u>388</u>	
Total Allowable Disbursements		<u>\$ 182,169</u>
Net Receipts		87,720
Less: Statutory Maximum		<u>70,930</u>
Excess Fees		16,790
Less: Training Incentive 2015	3,941	
Less: Training Incentive 2014 (paid in 2015)	<u>3,910</u>	<u>7,851</u>
Excess Fees Due to County for 2015		8,939
Less: Payment to Fiscal Court - February 10, 2016	8,250	
Less: Payment to Fiscal Court - May 18, 2016	<u>301</u>	<u>8,551</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 388</u>

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

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2015

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

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

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

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent for the first six months and 17.06 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The sheriff's contribution on KLEFPF salaries for calendar year 2013 was \$1,195, calendar year 2014 was \$1,133, and calendar year 2015 was \$1,034.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

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

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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%

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. 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 Hickman 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 Hickman 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.

Note 4. Drug Forfeiture Fund

The Hickman County Sheriff's Office maintains a drug forfeiture fund. This fund is funded by court-ordered forfeitures of money and property. The funds are to be used for various law enforcement operations and equipment to fight against drug problems in Hickman County. As of January 1, 2015, the drug forfeiture fund had a balance of \$256. During the year, funds of \$3,655 were received and \$1,064 was expended, leaving an ending balance as of December 31, 2015 of \$2,847.

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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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kenny Wilson, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman 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 Hickman County Sheriff for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated March 30, 2017. The Hickman 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 Hickman 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 Hickman County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hickman County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying comments and recommendations as items 2015-004, 2015-005, 2015-006, and 2015-007 to be material weaknesses.



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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hickman 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, 2015-003, and 2015-006.

Sheriff's Responses to Findings

The Hickman County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The sheriff's responses was 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

March 30, 2017

COMMENTS AND RECOMMENDATIONS

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Hickman County Sheriff Had \$388 Of Disallowed Disbursements From The 2015 Fee Account

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

- Disbursements totaling \$22 for late fees paid on telephone bills were not considered necessary or beneficial to the public.
- Disbursements totaling \$366 paid over to the drug forfeiture fund for calendar year 2014 disallowed drug fund disbursements were considered personal in nature due to the fact that these disallowed disbursements should have been paid from personal funds.

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

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

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

The 366\$ that was paid back wasn't personal in nature, as I previously responded in the 2014 audit... Then Deputy [name redacted] had to go out of town for training for a week. I forgot to get the monies to him for his meals and lodging so I used the only credit card the office had at the time and that was the drug account bank debit card. By the time the audit was done for 2014 it was presented in 2015. The money's not being personal in nature was paid back from the fee account to the drug account.

Auditor's Reply:

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

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 The Hickman County Sheriff Had \$2,493 Of Questionable Disbursements From The 2015 Fee Account

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

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

2015-003 The Hickman County Sheriff Had \$940 Of Disallowed Disbursements From The Drug Forfeiture Fund

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

Therefore, we recommend that the sheriff deposit \$940 of personal funds into the drug forfeiture fund. We also recommend that in the future, the sheriff maintain sufficient supporting documentation for all disbursements from the drug forfeiture fund to establish that these funds are used for permitted law enforcement purposes.

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

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2015
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-003 The Hickman County Sheriff Had \$940 Of Disallowed Disbursements From The Drug Forfeiture Fund
(Continued)

Auditor's Reply:

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

2015-004 The Hickman County Sheriff Failed To Maintain Proper Accounting Records For The Drug Forfeiture Fund

The sheriff does not maintain a receipts or disbursements ledger for the drug forfeiture fund. The sheriff also failed to maintain proper support for disbursements and court orders for receipts. During calendar year 2015, bank records revealed \$3,165 in cash receipts that had no supporting documentation, making it difficult for auditors to determine the source of these funds. Bank records also revealed \$950 in cash withdrawals that had limited supporting documentation. The sheriff maintained this cash in a vault for use when needed; however, he failed to keep a ledger for these funds, making it difficult to determine if all of the money was accounted for and how the funds were used.

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

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

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

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

HICKMAN COUNTY
 MARK GREEN, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2015
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-005 The Hickman County Sheriff's Office Has Weak Internal Controls Over Office Assets

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

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

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

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

2015-006 The Hickman County Sheriff's Office Has Noncompliance And Material Weaknesses Over Timekeeping

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

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

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

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

HICKMAN COUNTY
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For The Year Ended December 31, 2015
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FINANCIAL STATEMENT FINDINGS: (Continued)

2015-006 The Hickman County Sheriff's Office Has Noncompliance and Material Weaknesses Over Timekeeping (Continued)

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

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

2015-007 The Hickman County Sheriff's Office Lacks Adequate Segregation Of Duties

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

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

A proper segregation of duties over the accounting and reporting functions, or the implementation of compensating controls, when necessary because of limited staff, is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

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

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

