

**REPORT OF THE AUDIT OF THE
FORMER LESLIE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2018**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William Lewis, Leslie County Judge/Executive
The Honorable Delano Huff, Former Leslie County Sheriff
The Honorable Billy Michael Collett, Leslie County Sheriff
Members of the Leslie County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We were engaged to audit the Statement of Receipts, Disbursements, and Excess Fees – Regulatory Basis of the former Sheriff of Leslie County, Kentucky, for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The former Leslie County Sheriff did not maintain adequate accounting records to support the financial statements. This prohibited us from applying procedures to obtain sufficient appropriate audit evidence necessary to render an opinion. The financial statement presented within this report is the unadjusted fourth quarterly financial report submitted to the Department for Local Government.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statement.



The Honorable William Lewis, Leslie County Judge/Executive
The Honorable Delano Huff, Former Leslie County Sheriff
The Honorable Billy Michael Collett, Leslie County Sheriff
Members of the Leslie County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019, on our consideration of the former Leslie County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the former Leslie County Sheriff's internal control over financial reporting and compliance.

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

- 2018-001 The Former Leslie County Sheriff's Quarterly Report Was Not Supported By Accounting Records, Quarterly Reports Were Submitted Late, And He Did Not Make Settlement With Fiscal Court
- 2018-002 The Former Leslie County Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2018-003 The Former Leslie County Sheriff Has Not Settled His 2015, 2016, And 2017 Fee Account Receivables And Liabilities
- 2018-004 The Former Leslie County Sheriff Did Not Adequately Monitor Inventory
- 2018-005 The Former Leslie County Sheriff Lacked Internal Controls Over Disbursements
- 2018-006 The Former Leslie County Sheriff Has Not Settled His 2018 Fee Account Receivables And Liabilities

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

September 20, 2019

LESLIE COUNTY DELANO HUFF, FORMER SHERIFF FINANCIAL STATEMENT

For The Year Ended December 31, 2018

Form For Budget, Cumulative Quarterly Report and Annual Settlement For Calendar Year 2017

Leslie County Sheriff

Part One - Summary and Reconciliation of All Accounts

| | Column 1 2017 Fee Account Budget Estimate | Column 2 2017 Fee Account Cumulative Actual | Column 3 Account (NOT FEE ACCOUNT) | Column 4 Account (NOT FEE ACCOUNT) | Column 5 Account (NOT FEE ACCOUNT) |
|------------------------------------|---|---|--|--|--|
| 1. Receipts YTD | \$303,500.00 | \$435,705.02 | | | |
| 2. Total Disbursements YTD | \$306,500.00 | \$436,165.83 | | | |
| 3. Book Balance/Excess Fees | (\$3,000.00) | (\$460.81) | | | |
| 4. Bank Statement Balance | | | | | |
| 5. Plus Deposits in Transit | | | | | |
| 6. Less Outstanding Checks | | | | | |
| 7. Other | | | | | |
| 8. Reconciled Bank Balance | | | | | |
| 9. Accounts Receivable as of 12/31 | | | | | |
| 10. Unpaid Obligations as of 12/31 | | | | | |
| 11. Excess Fees | | | | | |

Instructions: This form is the required format for the budget and the quarterly report. BUDGET: After completing the budget estimate columns of Parts One, Two and Three, submit to the fiscal court for approval by January 15th and following approval submit to the state local finance officer. QUARTERLY REPORT: The quarterly report is cumulative. Show the status of all funds in the official charge during calendar year to date. Line 1: Show total amount of receipts for all accounts. Line 2: Show total amount of disbursements for all accounts. Line 3: Show total amount of excess fees for all accounts. Line 4: Show bank statement balances at close of quarter. Line 5: Show total deposits made prior to close of quarter that are not reflected in bank statements. Line 6: Show total amount of checks issued prior to close of quarter that are not reflected in bank statements. Line 7: Show investments. Line 8: Show line 4 adjusted for lines 6, 7, and 8. Line 9: Show total amount of accounts receivable as of 12/31. Line 10: Show calculation in Part Two of report. Line 11: Complete for quarter ending 12/31. Show calculation in Part Three of report. Line 12: Complete for quarter ending 12/31. Show line 8 minus line 10. Line 13: Complete for quarter ending 12/31. Report due to State Local Finance Officer, 1024 Capital Center Drive, Suite 340, Frankfort, KY 40601-6204 by the 30th day following the close of each quarter. Fax # 502-573-3712 / Ph # 502-573-3710.

Approved by the fiscal court on the _____ day of _____, 20____.

To the best of my knowledge the information reported herein for the budget quarter ended _____ is accurate and complete.

 County Judge Executive

 Signature of County Sheriff

 Date 4/26/19

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 FINANCIAL STATEMENT
 For The Year Ended December 31, 2018
 (Continued)

LF 1132.001 Rev. 10/09

| Part Two Receipts | Budget Estimate | 1/1 thru 3/31 | 4/1 thru 6/30 | 7/1 thru 9/30 | 10/1 thru 12/31 | Total YTD | Accounts Receivable 12/31 | Settlement Total |
|--|-----------------|---------------|---------------|---------------|-----------------|--------------|---------------------------|------------------|
| 1. Federal Grants | \$16,000.00 | | \$2,905.36 | \$9,031.88 | | \$11,937.24 | | |
| 2. State Grants | \$8,000.00 | \$80,000.00 | | | | \$80,000.00 | | |
| 3. State - KLEFFP | \$12,000.00 | | \$578.33 | \$666.66 | \$1,726.76 | \$2,968.75 | | |
| 4. Receipts YTD | | | | | | | | |
| 5. Finance and Administration Cab. | \$2,800.00 | | | | | | | |
| 6. HB452 | \$2,900.00 | | | | | | | |
| 7. Circuit Clerk | | | | | \$3,588.91 | \$3,588.91 | | |
| 8. Sheriff Security Services | | \$374.62 | \$327.40 | \$228.26 | \$233.51 | \$1,163.79 | | |
| 9. Fines Fees Collected | \$1,870.00 | \$2,043.89 | \$502.70 | \$14.80 | \$567.20 | \$3,128.59 | | |
| 10. Election Board Dues | | | | | | | | |
| 11. Fiscal Court (includes Executive Comm.) | | | | | | | | |
| 12. County Clerk (independent tax) | \$800.00 | \$254.11 | \$2,878.25 | \$4,690.81 | \$454.25 | \$8,277.42 | | |
| 13. Commissions on Taxes Collected | \$200,000.00 | \$11,317.08 | \$2,46,636.34 | \$20,663.28 | \$80,866.85 | \$359,483.55 | | |
| 14. Fees Collected for Services | | \$278.40 | | | | \$278.40 | | |
| 15. Auto Inspections | \$425.00 | \$2,071.00 | \$445.00 | \$455.00 | \$395.00 | \$3,466.00 | | |
| 16. Accidemu Police Reports | \$500.00 | \$113.00 | \$67.00 | \$113.00 | \$102.00 | \$395.00 | | |
| Arrest Fees | | | | \$322.20 | | | | |
| 17. Serving Papers | \$20,000.00 | \$1,568.10 | \$2,590.00 | \$2,240.00 | \$2,160.00 | \$8,558.10 | | |
| 18. CCDW | \$2,200.00 | \$640.00 | \$640.00 | \$530.00 | \$460.00 | \$2,260.00 | | |
| 19. AOC | \$2,200.00 | \$360.00 | \$680.00 | \$590.00 | \$560.00 | \$2,190.00 | | |
| 20. Mental Transport | \$900.00 | | \$143.91 | \$899.20 | \$100.00 | \$1,143.11 | | |
| 21. Prisoner Transport | | \$96.16 | | | | \$96.16 | | |
| 22. Total Revenues | \$270,395.00 | \$49,116.36 | \$2,58,491.29 | \$40,433.09 | \$87,984.48 | \$435,705.02 | | |
| 23. Telecommunications | \$3,105.00 | | \$90.00 | \$80.00 | \$60.00 | | | |
| 24. Warrants | | | | | \$24,000.00 | | | |
| 25. State Advancement | \$30,000.00 | | | | | | | |
| 26. Miscellaneous Income | | | | | \$1.00 | | | |
| 27. Total Receipts (total lines 24 through 30) | \$303,500.00 | \$79,116.36 | \$2,58,581.29 | \$40,623.09 | \$112,045.48 | \$435,705.02 | | |

Copy the figures shown on line 27 in the Budget Estimate column to the Summary on page 1, column 1, line 1. Copy the figures shown on line 27 in the Total YTD column to page 1, column 1, line 1. Copy the figures shown on line 27 in the Accounts Receivable column to page 1, line 9.

Sheriff's Budget and Receipt

Part Two - Fee Account Receipts

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LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 FINANCIAL STATEMENT
 For The Year Ended December 31, 2018
 (Continued)

LP 1122.07 Rev. 10/09

| Part Three Disbursements | Budget Estimate | 1/1 thru 3/31 | 4/1 thru 6/30 | 7/1 thru 9/30 | 10/1 thru 12/31 | Total YTD | Unpaid Obligations 12/31 | Settlement Total |
|--|-----------------|---------------|---------------|---------------|-----------------|--------------|--------------------------|------------------|
| Official Expenses | | | | | | | | |
| 1. Personal Services | | | | | | | | |
| 2. Sheriff's Gross Salary | \$87,000.00 | \$19,083.34 | \$12,874.00 | \$6,412.00 | \$16,030.00 | \$54,349.34 | | |
| 3. Deputy's Gross Salaries | \$144,000.00 | \$19,425.00 | \$2,976.00 | \$8,859.00 | \$16,141.88 | \$47,401.88 | | |
| 4. Part Time Gross Salaries | | | \$581.00 | | | \$581.00 | | |
| 5. Other Gross Salaries | \$24,000.00 | \$6,080.00 | \$3,608.00 | \$6,248.00 | \$8,639.00 | \$24,575.00 | | |
| 6. Overtime Gross | | | | | | | | |
| 7. Kleif | \$12,000.00 | \$398.71 | \$333.33 | \$666.66 | \$1,726.76 | \$3,125.46 | | |
| 8. Employee Benefits | | | | | | | | |
| 9. Employer's Share Social Security | | | | | | | | |
| 10. Employer's Share Retirement | | | | | | | | |
| 11. Employer's Share Haz. Duty Ret. | | | | | | | | |
| 12. Employer's Workman's Compensation | | | | | | | | |
| 13. Employer's Unemployment Ins. | | | | | | | | |
| 14. Employer Paid Health Ins. | | | | | | | | |
| 15. Training Fringe Benefit (HBM10) | \$1,000.00 | | | | | | | |
| 16. Contracted Services | | | | | | | | |
| 17. Advertising | | | | | | | | |
| 18. Vehicle maintenance and repairs | | | \$692.37 | | \$5,493.34 | \$6,185.71 | | |
| 19. KSA yearly dues/fees | | | | | \$456.00 | \$456.00 | | |
| 20. Supplies and Materials (Employee's with limited obligat) | | | | | | | | |
| 21. Office Materials and supplies | \$500.00 | \$1,062.17 | \$996.68 | \$1,669.49 | \$2,403.12 | \$6,131.46 | | |
| 22. Uniforms | \$500.00 | | \$24.95 | | \$823.05 | \$848.00 | | |
| 23. Gasoline | | | | | | | | |
| 24. Data Expenses for Taxes | \$4,000.00 | | \$1,375.00 | \$2,845.00 | \$1,300.00 | \$5,520.00 | | |
| 25. AOC Fees | \$2,200.00 | | \$680.00 | | \$560.00 | \$1,240.00 | | |
| 26. Other Charges (Non-commenced services, nonapplicable items) | | | \$229,083.89 | \$8,254.00 | \$30,000.00 | \$267,337.89 | | |
| 27. Miscellaneous | | | \$42.50 | \$4,521.11 | \$7,356.72 | \$11,920.33 | | |
| 28. Dues | \$500.00 | | | | | | | |
| 29. Postage | \$800.00 | \$2,779.49 | \$79.44 | \$52.57 | \$21.42 | \$2,932.92 | | |
| 30. Training | | | \$71.95 | \$361.26 | | \$433.21 | | |
| 31. Vehicle Expense | | \$115.59 | | | | \$115.59 | | |
| 32. Refunds | | \$74.00 | \$493.00 | \$566.73 | \$1,848.21 | \$2,982.04 | | |
| 33. Paper Fee | | \$30.00 | | | | \$30.00 | | |

Sheriff's Budget and Report

Part Three - Fee Account Disbursements

Page 3 of 5

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 FINANCIAL STATEMENT
 For The Year Ended December 31, 2018
 (Continued)

LP 11321.001 Rev. 10/09

| Part Three Disbursements | Budget Estimate | 1/1 thru 3/31 | 4/1 thru 6/30 | 7/1 thru 9/30 | 10/1 thru 12/31 | Total YTD | Unpaid Obligations 12/31 | Settlement Total |
|---|-----------------|---------------|---------------|---------------|-----------------|--------------|--------------------------|------------------|
| 34. Auto Expenses on Personal Vehicles | | | | | | | | |
| 35. Gasoline | | | | | | | | |
| 36. Maintenance and repairs | | | | | | | | |
| 37. Re Insurance | | | | | | | | |
| 38. Depreciation | | | | | | | | |
| 39. | | | | | | | | |
| 40. Debt Service (interest on bonds, interest, lease payments) | | | | | | | | |
| 41. State Advancement | \$30,000.00 | \$30,000.00 | | | \$30,000.00 | | | |
| 42. Notes | | | | | | | | |
| 43. Interest | | | | | | | | |
| 44. | | | | | | | | |
| 45. Capital Outlay (except purchase of tangible items having a useful life of more than one year) | | | | | | | | |
| 46. Office Equipment | | | | | | | | |
| 47. Vehicles | | | | | | | | |
| 48. | | | | | | | | |
| 49. | | | | | | | | |
| 50. Total Official Expenses | \$306,500.00 | \$79,048.30 | \$253,862.11 | \$40,455.82 | \$122,799.60 | \$436,165.83 | | |
| For offices that are paid any fees to county prior to December 31, or amounts over 70,000 in population, show payments on appropriate line below. | | | | | | | | |
| 51. Payments to County Treasurer | | | | | | | | |
| 52. Payments to State Treasurer | | | | | | | | |
| 53. Total Disbursements (Total lines 50-51, and 52) | \$306,500.00 | \$79,048.30 | \$253,862.11 | \$40,455.82 | \$122,799.60 | \$436,165.83 | | |

Copy the figures shown on line 53 in the Budget column to the Summary on page 1, column 1, line 2. Copy the figures shown on Line 53 in the Total YTD column to page 1, column 2, line 2. Copy the figures shown on Line 53 in the Unpaid column to page 1, column 2, line 2.

Sheriff's Budget and Report

Part Three - Fee Account Disbursements

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LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 FINANCIAL STATEMENT
 For The Year Ended December 31, 2018
 (Continued)

LF 1132 001 Rev. 10/09

Part Four - Liabilities Outstanding

Quarter ended _____

| Multi-year Issues | Issue | Issue | Totals |
|-------------------------------|--|-------|--------|
| Where Budgeted | | | |
| Description | | | |
| Term (# of Years) | | | |
| Current Interest Rate | | | |
| Issue Date | | | |
| Total Principal Amount | | | |
| Total Interest Amount | | | |
| Total Issue | | | |
| Principal Balance Remaining | | | |
| Interest Balance Remaining | | | |
| Less Reserve Earnings | | | |
| Net Outstanding | | | |
| Next Payment Date | | | |
| Next Payment Amount | | | |
| Final Payment Date | | | |
| Short Term Liabilities | Issue | Issue | |
| Where Budgeted | | | |
| Description | | | |
| Term | | | |
| Current Interest Rate | | | |
| Issue Date | | | |
| Total Principal Amount | | | |
| Total Interest Amount | | | |
| Total Issue | | | |
| Principal Balance Remaining | | | |
| Interest Balance Remaining | | | |
| Total Outstanding | | | |
| Next Payment Date | | | |
| Next Payment Amount | | | |
| Final Payment Date | | | |
| Total Outstanding Debt | <small>(If no outstanding advancements, loans, leases, or other debt, show "\$0".)</small> | | |

Comments:

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William Lewis, Leslie County Judge/Executive
The Honorable Delano Huff, Former Leslie County Sheriff
The Honorable Billy Michael Collett, Leslie County Sheriff
Members of the Leslie 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 were engaged to audit, 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 former Leslie County Sheriff for the year ended December 31, 2018, and the related notes to the financial statement and have issued our report thereon dated September 20, 2019. Our report disclaims an opinion on the financial statement because the former Leslie County Sheriff failed to maintain adequate accounting records as discussed in the Basis for Disclaimer of Opinion paragraph in the Independent Auditor's Report.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statement, we considered the former Leslie 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 former Leslie County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Leslie County Sheriff's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified 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 Schedule of Findings and Responses as items 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, and 2018-006 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)

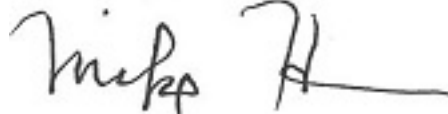
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Leslie 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 Schedule of Findings and Responses as items 2018-001, 2018-003, and 2018-006.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

September 20, 2019

SCHEDULE OF FINDINGS AND RESPONSES

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LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The Former Leslie County Sheriff's Quarterly Report Was Not Supported By Accounting Records, Quarterly Reports Were Submitted Late, And He Did Not Make Settlement With Fiscal Court

The former sheriff's fourth quarterly report was not an accurate representation of the financial activity of the former sheriff's office for calendar year 2018. Multiple items were incorrectly classified, mathematical errors were present, and the same items were posted multiple times. The former sheriff was unable to produce receipts and disbursements ledgers to support the amounts on the report. The fourth quarterly report was dated April 26, 2019, while it was required to be submitted to the Department for Local Government by January 30 following the year-end. Also, the former sheriff did not submit his original budget, second quarterly report, or third quarterly reports to the Department for Local Government. Furthermore, the former sheriff did not make a settlement with the fiscal court.

Due to a lack of financial records, the quarterly report could not be verified; therefore, auditors are unable to express an opinion on the former sheriff's financial statement.

The former sheriff was unable to produce supporting documentation for the fourth quarterly report. The former sheriff's bookkeeper was unavailable, and the former sheriff was unable to obtain any information from the electronic accounting system. Without proper support for reported amounts, the accuracy of the financial report cannot be verified.

Proper accounting procedures and internal controls require that any financial report be supported with underlying accounting records such as receipts and disbursements ledgers. KRS 43.075(3) states in part, "[t]he uniform audit standards and procedures promulgated by the Auditor shall include but need not be limited to the requirement that each person performing an audit shall determine whether the fiscal court or county official is complying with the requirements of the uniform system of accounts adopted under KRS 68.210, whether there is accurate recording of receipts by source and expenditures by payee[.]" The Department for Local Government's (DLG) *County Budget Preparation And State Local Finance Officer Policy Manual*, promulgated pursuant to KRS 68.210, requires quarterly reports be submitted by the 30th day following the close of each quarter. KRS 64.830(2) states in part, "[e]ach outgoing county official shall make a final settlement with the fiscal court of his county by March 15 immediately following the expiration of his term of office for all money received by him as a county official[.]"

We recommend the former sheriff make a complete settlement of his accounts with the fiscal court. We also recommend the sheriff's office submit the budget and quarterly reports timely and maintain adequate supporting documentation for the quarterly reports.

Former Sheriff's Response: The former sheriff did not provide a response.

2018-002 The Former Leslie County Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

This is a repeat finding that was included in the prior year audit report as 2017-003. The former sheriff's office lacked adequate segregation of duties over receipts, disbursements, and bank reconciliations. The bookkeeper was responsible for collecting and issuing receipts, preparing the daily checkout sheet, and preparing the daily deposit. The bookkeeper was responsible for preparing and signing checks, posting to the receipts and disbursements ledgers, and preparing monthly bank reconciliations.

LESLIE COUNTY
DELANO HUFF, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 The Former Leslie County Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations (Continued)

The lack of adequate segregation of duties within the former sheriff's office was the result of limited staff size which prevented the former sheriff from segregating accounting duties to different individuals within the former sheriff's office.

A lack of adequate segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

Adequate segregation of duties over various functions such as opening mail, preparing deposits, and recording receipts and disbursements is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The former sheriff, or his designee, should have implemented compensating controls to limit the severity of the lack of adequate segregation of duties. Examples of the compensating controls include:

- The former sheriff or his designee could have periodically recounted and deposited cash receipts. This review could have been documented by initialing the daily checkout sheet and deposit ticket.
- The former sheriff could have reviewed supporting documentation for all disbursements. This review could have been documented by initialing the invoice.
- The former sheriff could have required two signatures on all checks, including the former sheriff's signature.
- The former sheriff could have received bank statements unopened, and reviewed for any unusual items prior to giving them to the individual performing the bank reconciliations.

The former sheriff should have implemented compensating controls to mitigate the risk of the lack of adequate segregation of duties if he was limited by staff size.

Former Sheriff's Response: The former sheriff did not provide a response.

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2018
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-003 The Former Leslie County Sheriff Has Not Settled His 2015, 2016, And 2017 Fee Account Receivables And Liabilities

The following 2015, 2016, and 2017 fee account receivables and liabilities have not been properly settled:

| | | | |
|--|----|--------|--------|
| Cash in Bank: December 2018 | | \$ | 17,496 |
| Uncollected Receivables: | | | |
| Tax Commissions | \$ | 38,472 | |
| Due from 2018 Fee Account | | 3,158 | |
| Due personally from sheriff | | 248 | 41,878 |
| | | | <hr/> |
| Total Assets | | | 59,374 |
| Unpaid Obligations | | | |
| Excess fees due fiscal court | | 54,525 | |
| Due to 2016 tax account | | 305 | |
| Due to 2017 tax account | | 4,544 | |
| | | | <hr/> |
| Total Liabilities | | | 59,374 |
| Ending Fund Balance of Prior Year Fee Accounts | | \$ | 0 |

The former sheriff did not have any controls in place to ensure that prior year fee accounts were properly settled. He did not receive the payments noted above and did not personally deposit funds to cover the deficit amount noted.

As a result of not settling the accounts, money due to the fiscal court that could be used for expenses has not been turned over to them.

KRS 134.192(12) states in part, “the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office[.]” Additionally, KRS 64.820(1) states, “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official” and continues to instruct the fiscal court to direct the county attorney to institute suit for the collection of any amounts if the fiscal court cannot collect the amount.

We recommend the former sheriff work with the fiscal court to settle the above receivables and liabilities. After the receivables are collected, the sheriff should pay obligations and remit any remaining balance to the fiscal court. Furthermore, we will refer this finding to the Leslie County Attorney to determine if further procedures to collect amounts due will be required.

Former Sheriff’s Response: The former sheriff did not provide a response.

LESLIE COUNTY
DELANO HUFF, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-004 The Former Leslie County Sheriff Did Not Adequately Monitor Inventory

The former Leslie County Sheriff had various items that belonged to the office of the sheriff such as cruisers, radios, firearms, etc. that are essential to providing services to the citizens of the county. The former sheriff however did not maintain an adequate itemization of inventory.

According to the former sheriff, inventory has never been tracked at the sheriff's office. As a result, the possibility of theft or undetected misappropriation of office inventory could occur.

Effective internal controls over all aspects of the sheriff's office would require that all items belonging to the sheriff's office be tracked and maintained in some type of inventory log.

We recommend the former sheriff work to ensure that no items were missing from his office during the time of his term.

Former Sheriff's Response: The former sheriff did not provide a response.

2018-005 The Former Leslie County Sheriff Lacked Internal Controls Over Disbursements

The former Leslie County Sheriff's office lacked internal controls over disbursements. During 2018, the following occurred:

- A deputy was reimbursed \$12 for the same meal twice.
- A deputy was reimbursed \$71 for meal costs with no itemized receipt for support.
- One employee received reimbursements for two meals per trip on six occasions totaling \$156.
- Two invoices were paid more than 30 days late.
- Nine invoices totaling \$2,642 were not effectively cancelled to prevent duplicate payments.
- Four instances totaling \$1,873 with no itemized invoice.
- The Kentucky Department of Revenue was paid \$60 from the fee account to settle tax collections.

The former sheriff did not review disbursements adequately before his approval. As a result, there are several disbursements that appear excessive and improper.

Strong internal controls over disbursements require that the former sheriff would thoroughly review all disbursements before payment is made to verify that disbursements are allowable and that vendors are paid timely, etc.

KRS 65.140(2) states, "[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor."

We recommend the sheriff's office ensure that all disbursements are reviewed for accuracy, supported by invoices, reasonable, necessary, and paid within 30 days of receipt.

Former Sheriff's Response: The former sheriff did not provide a response.

LESLIE COUNTY
 DELANO HUFF, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2018
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-006 The Former Leslie County Sheriff Has Not Settled His 2018 Fee Account Receivables And Liabilities

The following 2018 fee account receivables and liabilities have not been properly settled:

Assets

| | | | |
|--|----|--------------|--------------|
| Cash in Bank | | \$ | 40,058 |
| Collected receivables | | | 559 |
| Receivables: | | | |
| October-December 2018 Franchise taxes due from Franchise account | \$ | 1,957 | |
| October-December 2018 Franchise taxes due from school | | 1,235 | |
| Telecommunication commissions due from 2011 fee account | | <u>2,050</u> | <u>5,242</u> |
| Total Assets | | | 45,859 |

Liabilities

| | | | |
|---|--|--------------|---------------|
| Total Paid Obligations | | | 2,518 |
| Unpaid Obligations: | | | |
| December 2017 tax commissions deposited in 2018 Fee Account on 1/5/18 - Due to 2017 Fee | | 189 | |
| Unmined Coal Bill deposited in 2018 Fee on 7/6/18 - Due to Unmined Coal Account | | 18,286 | |
| 2018 Property tax collections deposited in 2018 Fee Account on 11/30/18 - Due to 2018 tax account | | 9,425 | |
| Extra lake patrol payment from 2016 fee account - Due back to 2016 fee | | <u>3,158</u> | |
| Total Unpaid Obligations | | | <u>31,058</u> |
| Total Fund Surplus as of December 31, 2018 | | \$ | <u>12,283</u> |

The former sheriff did not have any controls in place to ensure that funds were deposited into the correct accounts, did not receive the payments noted above, and did not personally deposit funds to cover the deficit amount noted.

LESLIE COUNTY
DELANO HUFF, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-006 The Former Leslie County Sheriff Has Not Settled His 2018 Fee Account Receivables And Liabilities (Continued)

The former sheriff did not properly pay October through December franchise commissions to the fee account and school. The former sheriff also did not receive telecommunications commissions from another sheriff's account used for electronic receipts. Further, the liabilities exist because funds intended for other accounts were erroneously deposited into the 2018 fee account.

KRS 134.192(12) states in part, "the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office[.]" Additionally, KRS 64.820(1) states, "[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official" and continues to instruct the fiscal court to direct the county attorney to institute suit for the collection of any amounts if the fiscal court cannot collect the amount.

We recommend the former sheriff work with the fiscal court to settle the above receivables and liabilities. After the receivables are collected, the sheriff should pay obligations and remit any remaining balance to the fiscal court.

Former Sheriff's Response: The former sheriff did not provide a response.