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Edelen Releases Audit of Hickman County Sheriff's Office

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2013 financial statement of Hickman County Sheriff Mark Green. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account and the other reporting on the audit of the fee account used to operate the office.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the Hickman County Sheriff in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Sheriff did not follow this format; however, the Sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

The Hickman County Sheriff had $2,882 of disallowed expenditures. The Hickman County Sheriff had $2,882 of disallowed expenditures for calendar year 2013. These expenditures were disallowed due to their personal nature or the lack of proper supporting documentation.

In accordance with Funk vs. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures 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 expenditures did not meet the necessary criteria, they have been disallowed.

Disallowed expenditures should be repaid with a deposit of personal funds, therefore, we recommend the Hickman County Sheriff repay $2,882 from his personal funds to the Hickman County Fiscal Court.

Sheriff's response: The Sheriff did not respond.

Auditors question $11,344 in expenditures from 2013 fee account. During calendar year 2013, the Sheriff had $11,344 in expenditures that we consider questionable. According to Funk vs. Milliken, 317 S. W. 2d 499 (Ky. 1958), county fee officials' expenditures 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 we could not determine if the following items met the necessary criteria, we are questioning their validity:

- The Sheriff was reimbursed $7,450 from the 2013 official fee account in mileage at a rate of $0.47 per mile for use of his personal vehicle. The Sheriff did not maintain accurate mileage logs to support the total miles reimbursed. Without accurate mileage logs, there is no way to distinguish between personal miles and official miles. The standard mileage reimbursement should cover gas, maintenance, repairs, and insurance for use of a personal vehicle. These payments are not meant to cover the entire cost of owning and operating a vehicle, but rather the portion of these expenses that incur through work related driving. Since the fiscal court paid for the Sheriff's gas while he was receiving reimbursement payments, we question the amount of mileage reimbursement paid to the Sheriff.

- The Sheriff also had $1,311 in expenditures for improvements and emergency equipment installed on his personal vehicle. Due to the nature of these expenditures and the fact that they could potentially increase the value of the Sheriff's personally-owned vehicle, we question the amount expended.

- The Sheriff paid $2,583 for cellular service on phones and/or devices that we could not determine were for employees' or official use. Because we could not determine if the amount paid was for the official use of the Sheriff's Office, we question the amount expended.

Due to the reasons noted above, we are questioning these expenditures from the 2013 fee account. As a result, we recommend the Hickman County Fiscal Court review the questioned expenditures and make a determination if they are reasonable and allowable. If the fiscal court determines that such expenditures are allowable, any and all equipment that has been purchased should be turned over to the county at the end of the Sheriff's term.

Sheriff's response: The Sheriff did not respond.

The Sheriff should follow the County travel policy or establish his own. During our test of expenditures, we noted instances in which the Sheriff made cash advancements to deputies prior to traveling for training. We also noted charges for food at local restaurants and meal purchases that

exceeded amounts allowed by the County's travel policy. Because of these items noted, the Sheriff was in violation of the County's travel policy.

Due to the nature of these expenditures, we recommend that the Sheriff follow the county travel policy. If the Sheriff desires to continue to spend money on food for deputies as he has in the past, then he should establish a written policy for his office, approved by fiscal court. Failure to do so may result in disallowed expenditures in future audit periods.

Sheriff's response: The Sheriff did not respond.

The Hickman County Sheriff should make deposits on a timely basis. Audit testing over daily receipts revealed the Sheriff was not making daily deposits. Instead, the Sheriff made deposits on a weekly basis due to the small amount of daily receipts. This practice left receipts vulnerable to misappropriation and loss.

According to KRS 68.210, fee officials are required to make daily deposits intact into a federally insured banking institution. Because the Sheriff was not making timely deposits, he was not in compliance with KRS 68.210. Therefore, we recommend the Sheriff protect office funds by making daily deposits into a federally insured banking institution.

Sheriff's response: The Sheriff did not respond.

The Hickman County Sheriff overspent the maximum salary limitation fixed by the Fiscal Court. During our audit, we noted the Hickman County Sheriff overspent his maximum salary limitation as fixed by the Fiscal Court by $8,404. The Hickman County Fiscal Court fixed the deputies' salary limit at $84,000; however, the Sheriff expended $92,404.

KRS 64.530(3) states, "the fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant." Because the Sheriff expended more on deputies' salaries than what was approved by fiscal court, he was in non-compliance with KRS 64.530(3). Therefore, we recommend the Sheriff monitor his payroll expenditures throughout the year to avoid exceeding the amount approved by fiscal court.

Sheriff's response: The Sheriff did not respond.

The Sheriff overspent his approved budget. During our audit, we noted the Hickman County Sheriff's operating expenditures exceeded the budget approved by the Hickman County Fiscal Court by $7,891. The Hickman County Fiscal Court approved the Sheriff's budget for official expenses at $254,650; however, according to his 4th Quarter Financial Report, the Sheriff expended $260,541.

The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15th of each year. KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration

of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials.

We recommend the Hickman County Sheriff monitor his budget throughout the year and request budget amendments as necessary from the fiscal court, prior to exceeding budgeted amounts.

Sheriff's response: The Sheriff did not respond.

The Hickman County Sheriff should maintain adequate documentation for the drug fund receipts and disbursements. Audit testing revealed that the Sheriff does not maintain a receipts or disbursements ledger for the drug fund. It also revealed the Sheriff was not maintaining proper support for expenditures or court orders for receipts. Review of bank records revealed $2,675 in cash withdrawals for drug buys or other expenditures that had no support.

Failure to maintain adequate documentation for the drug fund transactions increases the risk that funds could be misappropriated. Also, maintaining proper documentation over drug fund receipts and expenditures will ensure that forfeited funds are spent in accordance with the corresponding court orders.

As a result, we recommend the Sheriff maintain a receipts and disbursements ledger for forfeited funds. These ledgers should be reconciled to the bank statements monthly. We also recommend the Sheriff maintain proper supporting documentation on all receipts and disbursements. Failure to do so may result in future disbursements being disallowed.

Sheriff's response: The Sheriff did not respond.

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 receipt and disbursement ledgers, preparing monthly bank reconciliations, and preparing quarterly reports.

A lack of segregation of duties or strong oversight increases the risk that errors could occur and not be detected. 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 a limited number of staff, is essential for providing protection from errors occurring and not being detected. 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, due to a limited budget, this is not feasible, cross-checking procedures could be implemented. These procedures should be documented by the individual performing the procedure.

Sheriff's response: The Sheriff did not respond.

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

The audit report can be found on the auditor's website.

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