

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

**For The Year Ended
December 31, 2013**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HICKMAN COUNTY SHERIFF

**For The Year Ended
December 31, 2013**

The Auditor of Public Accounts has completed the Hickman County Sheriff's audit for the year ended December 31, 2013. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$7,546 from the prior year, resulting in excess fees of \$1,375 as of December 31, 2013. Revenues increased by \$13,057 from the prior year and expenditures increased by \$20,603.

Report Comments:

- 2013-01 The Hickman County Sheriff Had \$2,882 Of Disallowed Expenditures
- 2013-02 Auditors Question \$11,344 In Expenditures From 2013 Fee Account
- 2013-03 The Sheriff Should Follow The County Travel Policy Or Establish His Own
- 2013-04 The Hickman County Sheriff Should Make Deposits On A Timely Basis
- 2013-05 The Hickman County Sheriff Overspent The Maximum Salary Limitation Fixed By The Fiscal Court
- 2013-06 The Sheriff Overspent His Approved Budget
- 2013-07 The Hickman County Sheriff Should Maintain Adequate Documentation For The Drug Fund Receipts and Disbursements
- 2013-08 The Hickman County Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits as of November 7, 2013 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$522,381

The Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Pruitt, 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 revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Hickman County, Kentucky, for the year ended December 31, 2013, 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. 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 opinions.



The Honorable Greg Pruitt, 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 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 County Sheriff, as of December 31, 2013, 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 revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2013, 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 November 20, 2014 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 effectiveness of the Hickman County Sheriff's 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 Greg Pruitt, 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:

- 2013-01 The Hickman County Sheriff Had \$2,882 Of Disallowed Expenditures
- 2013-02 Auditors Question \$11,344 In Expenditures From 2013 Fee Account
- 2013-03 The Sheriff Should Follow The County Travel Policy Or Establish His Own
- 2013-04 The Hickman County Sheriff Should Make Deposits On A Timely Basis
- 2013-05 The Hickman County Sheriff Overspent The Maximum Salary Limitation Fixed By The Fiscal Court
- 2013-06 The Sheriff Overspent His Approved Budget
- 2013-07 The Hickman County Sheriff Should Maintain Adequate Documentation For The Drug Fund Receipts and Disbursements
- 2013-08 The Hickman County Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

November 20, 2014

HICKMAN COUNTY
 MARK GREEN, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2013

Revenues

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$		7,395
State Fees For Services			59,773
Circuit Court Clerk:			
Fines and Fees Collected			1,161
Fiscal Court			42,150
County Clerk - Delinquent Taxes			3,368
Commission On Taxes Collected			95,626
Fees Collected For Services:			
Auto Inspections		1,890	
Accident and Police Reports		157	
Serving Papers		4,660	
Carrying Concealed Deadly Weapon Permits		3,515	
Transporting Fugitives		50	10,272
Other:			
Add-On Fees		10,052	
Cold-check Fees		50	
Child Support Enforcement		190	
Miscellaneous		300	10,592
Interest Earned			15
Borrowed Money:			
State Advancement			30,000
Total Revenues			260,352

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

HICKMAN COUNTY
 MARK GREEN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2013
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	35,680	
Courthouse Security		50,508	
KLEFPF		6,200	
Contract Labor		200	
Employee Benefits-			
Employer's Share Social Security		3,868	
Employer's Share Retirement		1,195	
Contracted Services-			
Advertising		100	
Materials and Supplies-			
Office Materials and Supplies		2,677	
Uniforms		5,446	
Auto Expense-			
Maintenance and Repairs		5,032	
Mileage		27,732	
Other Charges-			
Training		2,320	
Dues		404	
Postage		1,742	
Ammunition		2,198	
Tax Support and Maintenance		1,500	
Telephone		9,509	
Miscellaneous		4,302	
Capital Outlay-			
Four-wheeler		928	\$ 161,541
Debt Service:			
State Advancement			<u>30,000</u>
Total Expenditures			191,541
Less: Disallowed Expenditures			<u>2,882</u>
Total Allowable Expenditures			<u>\$ 188,659</u>

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

HICKMAN COUNTY
MARK GREEN, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2013
(Continued)

Net Revenues	\$ 71,693
Less: Statutory Maximum	<u>67,429</u>
Excess Fees	4,264
Less: Training Incentive Benefit	<u>2,889</u>
Balance Due Fiscal Court at Completion of Audit	<u>\$ 1,375</u>

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

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2013

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 revenues over expenditures 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 final settlement with the fiscal court.

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 revenues and expenditures 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 2013 services
- Reimbursements for 2013 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2013

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).

HICKMAN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2013
 (Continued)

Note 2. Employee Retirement System

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. 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 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent for the first six months and 18.89 percent for the last six months.

The Sheriff's contribution for CY 2011 was \$1,090, CY 2012 was \$1,191, and CY 2013 was \$1,195.

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 (members 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%

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.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2013
(Continued)

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(4), 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 41.240(4). As of December 31, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of November 7, 2013, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$522,381

Note 4. Drug Fund

The Hickman County Sheriff's office maintains a Drug Fund Account. This account is funded by court-ordered forfeitures of money and/or 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, 2013, the Drug Fund had a balance of \$2,313. During the year, funds of \$500 were received and \$2,718 was expended, leaving an ending balance of \$95 as of December 31, 2013.

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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



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Pruitt, 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 revenues, expenditures, and excess fees - regulatory basis of the Hickman County Sheriff for the year ended December 31, 2013, and the related notes to the financial statement and have issued our report thereon dated November 20, 2014.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 2013-07 and 2013-08 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)

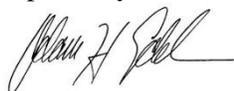
Compliance And Other Matters

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 2013-01, 2013-02, 2013-03, 2013-04, 2013-05, and 2013-06.

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,



Adam H. Edelen
Auditor of Public Accounts

November 20, 2014

COMMENTS AND RECOMMENDATIONS

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2013

STATE LAWS AND REGULATIONS:

2013-01 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.

2013-02 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.

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2013
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2013-02 Auditors Question \$11,344 In Expenditures From 2013 Fee Account (Continued)

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.

2013-03 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.

2013-04 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.

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2013
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2013-05 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.

2013-06 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.

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2013
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2013-07 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.

2013-08 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.

