



Auditor of Public Accounts
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Edelen Releases Audit of Former Calloway County Sheriff's Office

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of former Calloway County Sheriff William Marcum, for the period January 1, 2014 through January 4, 2015. 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 former Calloway 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 former Calloway county sheriff had \$123 of disallowed disbursements. The former Calloway County Sheriff had \$123 of disallowed disbursements for the period January 01, 2014 through January 04, 2015. These disbursements were disallowed for the following reasons:

- Disbursement totaling \$30 for the purchase of a coffeemaker was considered personal in nature

- Disbursements totaling \$93 for late fees and interest on credit card purchases were considered unnecessary.

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 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 former Calloway County Sheriff repay \$123 from his personal funds to the Calloway County Fiscal Court.

Former Sheriff's response: None.

The former Sheriff overspent his approved budget. The former Calloway County Sheriff's operating disbursements exceeded the budget approved by the Calloway County Fiscal Court by \$71,953. The Calloway County Fiscal Court approved the former Sheriff's budget for official expenses at \$1,582,900; however, according to his 4th Quarter Financial Report, the former Sheriff expended \$1,654,853.

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. The former Sheriff's failure to properly monitor the operating disbursements of his office has resulted in him overspending his budget, thus being in non-compliance with KRS 68.210.

The former Calloway County Sheriff should have monitored his budget throughout the year and requested budget amendments as necessary from the fiscal court, prior to exceeding budgeted amounts.

Former Sheriff's response: None.

The former Sheriff overspent the maximum salary limitation fixed by Fiscal Court. The former Calloway County Sheriff overspent his maximum salary limitation as fixed by the Fiscal Court by \$48,620. The Calloway County Fiscal Court fixed the Deputies' salary limit at \$1,000,000; however, the former Sheriff expended \$1,048,620.

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."

The former Sheriff's failure to properly monitor deputies' salaries resulted in him overspending the salary limit fixed by the fiscal court. Therefore, the former Sheriff was not in compliance

with KRS 64.530(3). The former Sheriff should have monitored his payroll disbursements during the year and obtained any necessary amendments, before year end.

Former Sheriff's response: None.

The former Calloway County Sheriff's Office lacked adequate segregation of duties. The former Calloway County Sheriff's Office lacked adequate segregation of duties. Due to a limited number of staff, the former Sheriff's bookkeeper was required to perform multiple tasks such as the collection of cash from customers, the bookkeeping function, monthly bank reconciliations, the preparation of checks for disbursements, and the preparation of monthly/quarterly reports.

A lack of segregation of duties or strong oversight increases the risk that errors could occur and not be detected. 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.

To offset this lack of segregation of duties, the former Sheriff implemented compensating controls including dual signatures and cross-checking procedures. However, these procedures were not sufficient to reduce the risks associated with the lack of segregation of duties. The former Sheriff should have segregated duties to the extent allowed by budget restrictions. For those duties that could not be segregated, strong management oversight by the former Sheriff or designee could have been a cost effective alternative. This oversight should have included reviewing daily checkout procedures, monthly bank reconciliations, receipts and disbursements ledgers, and the quarterly reports. Documentation, such as the former Sheriff or a designee's initials or signature, should have been provided on those items that were reviewed.

Former Sheriff's response: None.

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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