



Auditor of Public Accounts
Mike Harmon

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Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Livingston County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2014 financial statement of Livingston County Sheriff Bobby Davidson. 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.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the Livingston County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement 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 Livingston County Sheriff's Office lacks adequate segregation of duties. The same employee is responsible for collecting fees from customers, preparing daily deposits, preparing and signing checks, posting transactions to the ledgers, preparing monthly bank reconciliations, and also preparing quarterly and annual financial reports. The sheriff or another employee did not document oversight of any of these activities. This condition is the result of a limited budget, which places restrictions on the number of employees the sheriff can hire or delegate duties to. A lack of segregation of these duties or strong oversight increases the risk that errors or even fraud could occur and not be detected. Good internal controls dictate that certain accounting functions

be separated to ensure accurate financial reporting of the activities at the sheriff's office. The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliation, and preparing financial reports. If this is not feasible due to a limited budget, cross-checking procedures should be implemented and documented by the individual performing the procedure.

Sheriff Bobby Davidson's response: There is not enough funds generated to hire extra staff needed to implement needed procedures.

The sheriff did not properly remit facility fees collected to the Livingston County Fiscal Court.

In 2002, the Livingston County Fiscal Court passed an ordinance directing the sheriff to collect an additional \$10 fee for service of court documents as authorized by KRS 64.091. The sheriff is collecting the additional fee but is not remitting the proper amount to the fiscal court on a monthly basis as established by the ordinance. During calendar year 2014, the sheriff collected \$2,570 of these court facility fees but only paid the fiscal court \$1,026. The sheriff's bookkeeper stated that the amount remitted to the county was calculated based on 10% of the fees collected rather than \$10 per service of documents. By not paying over the proper amount, the sheriff is denying fiscal court its rightful fees collected. The Livingston County Sheriff should comply with the county ordinance by remitting the proper fees collected to the fiscal court on a monthly basis.

Sheriff Bobby Davidson's response: This has been corrected.

The Livingston County Sheriff expended \$852 of public funds on unallowable expenses.

The Livingston County Sheriff expended \$852 of public funds on unallowable expenses, such as advertising for a local picnic, late fees, interest, and expenses that were not adequately supported. 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.

The sheriff did not maintain the original invoices or itemized receipts for disbursements totaling \$325. Additionally, the sheriff did not pay the full balance due on the credit card, which resulted in \$100 of finance charges and interest being paid. There were additional disbursements of \$427 made from the fee account that were not for official business. Due to a lack of detailed receipts supporting payments or credit card charges, the allowability and/or reasonableness of the disbursement cannot be determined. These disbursements are not allowable since it cannot be established they were made for official business. Failure to maintain adequate records as well as payments of late fees and interest results in a possible misuse of public funds.

The sheriff should personally reimburse the fee account for the unallowable expenses. We recommend the sheriff maintain original invoices for all payments made from the official fee account, attach all necessary supporting documentation to credit card statements to support credit card charges to ensure that all disbursements are for allowable expenses of the sheriff's office, and pay all expenses timely to avoid incurring any finance charges.

Sheriff Bobby Davidson's response: This has been corrected and paid to Fiscal Court.

The Livingston County Sheriff should not commingle official drug fund activity with charitable event transactions. During calendar year 2014, the Livingston County Sheriff received and expended funds for a charity golf scramble. The charity event was to raise money to be used for a local school program. The Livingston County Sheriff commingled the charity event expenses and receipts with official drug funds. KRS 218A.420(4)(a) requires that drug funds must be used (i.e., spent) by the sheriff's office for "direct law enforcement purposes." The phrase "direct law enforcement purpose" is defined, in 500 KAR 9:010(6), to mean "any activity of a [county sheriff] . . . which materially facilitates enforcement of the laws of the Commonwealth of Kentucky." By handling charitable activities at the sheriff's office, the sheriff is performing a function that is not related to the duties of the sheriff's office. The sheriff's intent is to have a way to fund the D.A.R.E. program through his office. Since charitable funds do not meet the criteria for drug fund receipts, they should not be handled through the drug fund and could cause disallowed expenses. Also, fund raising events are not an allowable source of revenue for the sheriff's office. We recommend that these charitable activities be handled and accounted for externally from the sheriff's office.

Sheriff Bobby Davidson's response: This will not happen again-we understand the procedures.

The Livingston County Sheriff used grant funds owed to fiscal court as operating fees. In August 2014, the Livingston County Sheriff's Office was awarded a federal grant through the Kentucky Justice and Public Safety Cabinet to purchase breathalyzers in the amount of \$2,600, of which \$1,950 was to be reimbursed from federal funds. The remaining \$650 was a matching requirement. In September 2014, the fiscal court purchased the breathalyzers since the sheriff did not have available funds. The sheriff agreed to reimburse the fiscal court once the grant funds were received. The sheriff received the grant reimbursement in December 2014 but failed to reimburse these funds to the fiscal court as previously agreed.

The sheriff used the federal reimbursement as fees for his office instead of reimbursing the fiscal court. The sheriff did not track his grant funds properly. The nonpayment of the grant reimbursement caused the amount repaid to the fiscal court for salaries to be overstated by \$1,950. We recommend the sheriff not use funds owed to the fiscal court as operating fees of his office and properly remit owed funds to the fiscal court.

Sheriff Bobby Davidson's response: This has been corrected and we will follow procedures on grants.

The Livingston County Sheriff's actual operating disbursements exceeded the approved budget. The Livingston County Sheriff exceeded his approved budget for calendar year 2014 by \$11,174. 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.

Even though the sheriff submitted a budget amendment prior to year end, it did not sufficiently increase the approved budget to cover the actual expenses of the sheriff's office for calendar year 2014. For calendar year 2014, the Livingston County Fiscal Court approved the sheriff's fee budget for official expenses at \$400,960. However, the sheriff expended \$412,134 during the calendar year, which exceeds the budget by \$11,174. The sheriff did not adequately monitor his budget to assure he would not exceed the approved budget. Failure to do so shows a lack of fiscal responsibility and places public funds at risk.

We recommend the sheriff not make disbursements that exceed his approved budget. The sheriff should monitor his budget throughout the year and request budget amendments sufficient to cover actual expenses as necessary.

Sheriff Bobby Davidson's response: We are following guidelines to keep this from happening again.

The sheriff's disbursements exceeded available receipts by \$28,975. During testing of payroll, we noted the sheriff's payments to the Livingston County Treasurer for payroll were less than the amount paid by the fiscal court for the sheriff's payroll for calendar year 2014. The sheriff had payroll costs of \$28,975 that were paid by the fiscal court that were not reimbursed by the sheriff during calendar year 2014. Prudent accounting practices dictate the sheriff should not spend more than he receives in any calendar year. The Livingston County Fiscal Court pays the sheriff's payroll and then is to be reimbursed by the sheriff's office. Since the sheriff did not have adequate revenues to repay the payroll expenses paid by the fiscal court, he obligated and used fiscal court resources. We recommend the sheriff not expend more funds than received in a calendar year.

Sheriff Bobby Davidson's response: We are following guidelines to keep this from happening again.

The Livingston County Sheriff did not maintain proper accounting records on all funds handled by his office. The Livingston County Sheriff did not maintain proper accounting records for his drug fund and fee account. KRS 68.210 authorizes the State Local Finance Officer to establish minimum accounting requirements for handling public funds. These requirements include maintaining receipts and disbursements ledgers, as well as documentation to support all monies received and expended. Also, KRS 134.160 states, in relevant part "(2)(a) The sheriff shall keep an accurate account of all moneys received and all disbursements made, showing: 1. The amount; 2. The date and time of payment or disbursement; 3. The name of the person making the payment or to whom the disbursement was made; and 4. The account the payment was credited to or the disbursement deducted from." The sheriff did not properly maintain a receipts and disbursements ledger for his drug fund. Also, fee account disbursements were not recorded in the appropriate categories. Inaccurate records caused amounts reported to be misstated and funds could be misappropriated. The Livingston County Sheriff should maintain proper accounting records for all funds handled by the sheriff's office.

Sheriff Bobby Davidson's response: We have setup new excel report to help keep records clearer and more efficient.

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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