



Auditor of Public Accounts  
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### Harmon Releases Audit of Former Monroe County Sheriff's Office

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2014 financial statement of former Monroe County Sheriff Roger Barlow. 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 former Monroe County Sheriff in accordance with accounting principles generally accepted in the United States. 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 former Sheriff did not deposit receipts intact daily.** Receipts were not deposited on a daily basis during the period January 1, 2014 through January 4, 2015. Two deposits were made during the period May 12, 2014 through May 21, 2014. These deposits included collections of seven to eight days of receipts. The first deposit made on May 12, 2014 included receipts collected from May 5, 2014 through May 12, 2014. The second deposit was made on May 21, 2014 and included receipts collected from May 13, 2014 through May 21, 2014. We noted the former Sheriff lacked controls over the deposit process and did not provide adequate oversight in this area. KRS 68.210 states the State Local Finance Officer "shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials." The *County Budget Preparation and State*

*Local Finance Officer Policy Manual*, under Handling Public Funds Minimum Requirements, states, “Daily deposits intact into a federally insured banking institution.” The more quickly cash and checks are deposited, the less exposure to theft or loss of funds. The former Sheriff should have implemented procedures to ensure receipts were deposited daily in order to meet the requirements established by the Department for Local Government (DLG).

*Former Sheriff’s response: The former Sheriff did not respond.*

**The former Sheriff did not pay invoices within 30 days.** Three invoices were not paid within 30 days. As a result, finance charges totaling \$23 were paid to one of the vendors. Good internal controls dictate that the former Sheriff should have monitored disbursements to ensure invoices were paid timely. KRS 65.140 states, in part, “(2) Unless 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. (3) An interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved for each month or fraction thereof after the thirty (30) working days which followed receipt of vendor’s invoice by the purchaser.”

Finance charges are not an allowable expense of the fee account. We recommend the former Sheriff deposit \$23 in personal funds to his 2014 fee account for these charges.

*Former Sheriff’s response: The Reason the invoices wasn’t paid within the 30 days is there wasn’t enough money in the Bank Account to pay them with we had to wait til some came in to pay our Bills.*

**The former Sheriff’s office lacked adequate segregation of duties over receipts and disbursements.** Segregation of duties over receipts and disbursements or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets.

A lack of segregation of duties existed over the receipt and disbursement functions of the former Sheriff’s office because a limited number of employees were available to properly segregate these job duties. Due to illness, the former Sheriff’s bookkeeper was on leave for much of the audit period and another employee was assigned her bookkeeping duties. These bookkeepers were responsible for posting all items to the receipt and disbursement ledgers, preparing and signing all checks, performing monthly bank reconciliations, and preparing the financial statements.

To adequately protect employees in the normal course of performing their duties and/or prevent inaccurate financial reporting or misappropriation of assets, the former Sheriff should have separated the duties involving the collection, deposit and disbursement of cash, preparation of monthly reports and ledgers, and reconciliation of the bank statement to the ledgers. If that was not feasible due to a limited number of staff, strong oversight over those areas should have

occurred and should have involved an employee not performing any of those functions. The former Sheriff could also have provided the oversight.

As a result of this lack of oversight, bank reconciliations were not prepared for some months, receipts and disbursements were not accurately recorded, and inaccurate financial statements were prepared.

*Former Sheriff's response: The former Sheriff did not respond.*

**The former Sheriff did not have adequate controls over payroll functions.** The following conditions were noted with regard to the former Sheriff's payroll:

- Timesheets were not maintained for two deputies.
- Timesheets were not always signed or initialed by the former Sheriff or an immediate supervisor to document supervisory review.
- Employees did not receive overtime pay for hours worked in excess of 40 hours per week.
- One individual had a time sheet showing that he worked 96 hours for the month of January 2014. This timesheet was signed by the individual and initialed by the former Sheriff. However, this individual was not paid for these hours. On January 15, 2014, he was paid \$61 for contract labor. No other payments were made to this individual during the calendar year.
- One employee's time sheet showed that he worked a total of 64 hours during a pay period but was only paid for 56 hours. Additionally, only 56 hours were included on the employee's Individual Earnings Record.
- One deputy was improperly paid \$225. This error was found by the former Sheriff's bookkeeper, and the check was voided. However, the check was not taken off of the employee's Individual Earnings Record or the disbursements ledger and was subsequently included on the employee's W-2 form as taxable income.
- Three employees were paid both as hourly employees and as contract laborers. Amounts paid as contract labor were not included on the employees' W-2 forms, and no 1099 forms were prepared. No withholdings were deducted and paid from contract labor salaries, and employer's matching amounts were not remitted for retirement and Social Security Taxes.
- One individual was paid a total of \$1,310 as contract labor, but no 1099 was issued.
- One deputy, two constables, a court security officer, and a former deputy were paid for labor from the former Sheriff's personal account. These amounts were not included on W-2 or 1099 forms issued by the county. There were no tax withholdings and no matching retirement and Social Security amounts were paid. When asked about this the former Sheriff stated that he regularly paid expenses related to the operation of the sheriff's office from personal funds when funds were not available in his fee account.

Due to the former Sheriff not maintaining adequate payroll records, he did not comply with federal and state regulations. KRS 337.320(1) requires that, "Every employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires." In

addition, KRS 337.285(1) states, "No employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed."

Individuals can be hired as either an employee or contract laborer but not both. The former Sheriff should have included all compensation paid to employees on the employees' Individual Earnings Records and W-2 forms. If the additional hours worked as contract labor caused the employees to work more than 40 hours per week, the former Sheriff should have paid these employees at the overtime rate for those hours.

A 1099 form should have been issued for the individual hired as contract labor since he received over \$600 for the calendar year. Timesheets signed by the employee and approved by a supervisor should have been maintained for all employees to verify hours worked, and document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance.

*Former Sheriff's response: I paid (2) Deputy Sheriff's 1 office clerk (2) constables, and a former deputy sheriff I never paid a court security officer some had dual Roles. The reason I paid employees bought office equipment / supplies, vehicles, maintenance, gasoline, uniforms. And other things out of my Personal Bank Account was there wasn't enough money in the office to cover everything there was times when myself a clerk and a dispatcher have held our checks for almost two weeks for the money to be there so we could cash our checks. We would hold ours so everyone else could get there's when I took office I took an oath to protect and serve the people of Monroe County so I paid them so when citizens called for help somebody would be there to help them. In 2011 I spent \$4,017.17 in (2012) \$14,810.90 (2013) \$14,614.38 (2014) \$13,947. During my Term I in office I spent out of Pocket \$47,389.45. I never asked to be Reimbursed from my Fee Account or anything else because I knew the money wasn't there and the Fiscal court had given all they was going to Budget for the office everything I spent and what it was for has been filed with my tax person every year I'm not sure if the ones I paid filed there's or Not when I was Sheriff I spent what I had to make the Office Run to Be there for my people.*

**The former Sheriff should have implemented controls over equipment obtained under the State 1033 Program.** Auditors obtained information indicating the former Sheriff received and improperly disposed of numerous items under the State 1033 Program (the program) administered by the Defense Reutilization and Marketing Office (DRMO). This program allows Law Enforcement Agencies (LEAs) to receive supplies and equipment that are excess to the needs of the Department of Defense. In addition, the Secretary of Defense determines the property suitable to be used by such agencies in law enforcement activities, with preference given to counter-drug and counterterrorism activities, under such terms prescribed by the Secretary. These items are made available to Law Enforcement Agencies at no cost to the agency.

Documentation indicated between August 16, 2011 and July 10, 2012, the former Sheriff received several vehicles including six High Mobility Multipurpose Wheeled Vehicles (HMMWVs), pick-up trucks, utility vehicles, sedans, motorcycles, generators, various types of trailers, laptop computers, refrigerators, a meat slicer, an ice machine, desks, luggage, cameras,

rifle barrels, and numerous other items. The State DRMO office only maintained records for two years; therefore a complete listing of items received by the former Sheriff's office was not available.

The current Sheriff provided auditors an inventory list of all vehicles and equipment which the former Sheriff turned over to him. This list was signed and dated by the former Sheriff and a deputy on January 5, 2015.

This inventory list showed that the current Sheriff received six HMMWVs, three Chevrolet Impala cars, a 1988 Jeep Cherokee, a generator, and a trailer all of which were received by the former Sheriff under the program. The current Sheriff stated that although he did not sign the list, he had reviewed it and verified that all of the vehicles and equipment listed were present except for the generator and trailer. Per the inventory list, the generator and trailer were assigned to the deputy who signed the inventory list. After the auditor inquired about these items, the current Sheriff asked the deputy if he had the items. The deputy stated that he did not have these items but knew the individual that did. The current Sheriff then located the items at that individual's home.

In addition to the inventory list prepared when the former Sheriff left office, there is a signed copy from the Department of Defense Property Inventory Certification dated August 12, 2012. This certification listed numerous items that were not included on the inventory list provided to the current Sheriff. This certification was signed by the former Sheriff and a former deputy assigned oversight of the program for the former Sheriff's office.

Additional information obtained by auditors indicates the former Sheriff received a 2006 Jeep Liberty in December 2012 through the program and transferred it to his wife. Documentation was obtained through the Kentucky Transportation Cabinet's Automated Vehicle Information System (AVIS) which showed that on January 31, 2013, a 2006 Jeep Liberty with an NADA value of \$7,650 was registered to the former Sheriff and his wife. Since an updated listing of items received under the program was not available, additional supporting documentation for this transaction was obtained from the Monroe County Clerk's office. Per the application for Kentucky Certification of Title or Registration on file in the County Clerk's office, this vehicle was received from an Air Force Base in South Carolina through this program. This document also indicated the former Sheriff paid \$3,538 for the vehicle and \$212 in usage taxes on January 31, 2013. However, no funds were deposited to the former Sheriff's fee account for the sale of this vehicle.

On April 24, 2015, auditors met with the former Sheriff to discuss these allegations. The former Sheriff initially told auditors that he was only aware of vehicles and a few other items received under the program. To his knowledge, these were all included on the inventory list prepared and provided to the current Sheriff. Auditors presented him with the signed certification and attached list of items received by his office to review. After reviewing the list, the former Sheriff stated he was not aware of most of the items listed having been received. After further questioning, the former Sheriff told auditors he had received the 2006 Jeep Liberty under the program and sold it to his wife for \$1. The former Sheriff later provided a packet of documentation which included a signed statement to auditors stating that he had received a 2006

Jeep Liberty from the program in December 2012 and as of January 2, 2015 was selling it to his wife for \$1. Other documentation included in the packet indicated that several items received under the program had been turned over to constables, fire departments, other individuals, and businesses.

Several vehicles, including six HMMWVs, a Ford pickup truck, and two full size Blazers, were located at the County Road Department. The pickup truck and Blazers are being used by the county's road department. The current Sheriff confirmed he has possession of the three Chevrolet Impalas received under the program. The current Sheriff also stated he received the 1988 Jeep and a large tanker truck but, with fiscal court approval, sold and/or traded them for cash and other vehicles. Also, there were several old laptop computers and various other small items in storage at the courthouse. However, since these items were not properly inventoried, it is unknown if these were items received under the DRMO program.

Terms and Conditions of the Memorandum of Agreement (MOA) between the State of Kentucky DRMO office and the Monroe County Sheriff's Office include the following:

- Law Enforcement Agency (LEA) Eligibility Criteria: Must be a "law enforcement activity" whose primary function is enforcement of applicable Federal, State, and local laws as defined in DLA regulation (this is referring to DLA Directive (DLAD) 4160.10 which will be superseded by the One Book) and whose compensated officers have powers of arrest and apprehension.
- Security of Property: It is the responsibility of the gaining State/LEA to safeguard all property received under the 1033 Program. Should any property become lost due to theft, destruction, or unauthorized sale/disposal, this information must be forwarded to the State Coordinator within seven (7) working days after the incident. If the property has a Demilitarization code of C, D, E, F, or G it must be reported within 24 hours. The State coordinator will contact the Law Enforcement Support Office (LESO) for additional guidance.
- Accountability of Property: Each LEA and the State must maintain records for all property acquired through the 1033 program. These records must provide an "audit trail" for individual items of property from receipt to distribution. These documents include but are not limited to the following: DRMS Form 103 with all justifications or printouts of automated requests, DD Form 1348 (receipt and turn-in), all disposal and transfer paperwork, approved Bureau of Alcohol, Tobacco, and Firearms (ATF) Form 10s, Certification of Aircraft Registration (AC Form 8050-3), Aircraft Registration Application (AC-Form 8050-1, and any pertinent paperwork through LESO. The records maintained must satisfy any and all pertinent requirements under its applicable State statutes and regulations for the program and this property.
- Utilization of Property: Property received through the 1033 Program must be placed into use within one (1) year of receipt and utilized for a minimum of one (1) year, unless the condition renders it unusable. If property is not placed in use within one (1) year of receipt, it must be transferred to another authorized agency, or returned to a DRMO. Property returns/turn-ins must be coordinated through the applicable State Coordinator and LESO.

- Transfer of Property: LEAs must coordinate, in writing, transfer of 1033 property through their State Coordinator.
- Disposal of Property: LEA must request approval, in writing, from their State Coordinator before any 1033 property is disposed. If approved a “LESO disposal approval memo” will be sent to the State Coordinator.

The MOA also states Law Enforcement Agencies (LEAs) will:

- Control and maintain accurate records on all property obtained under the program. These records must provide an “audit trail” for individual items of property from receipt to distribution.
- Comply with the terms, conditions, and limitations applicable to property transferred pursuant to this plan/program.
- Conduct periodic review to include physical inventory/spot checks of actual property and related records. Ensure compliance with the applicable MOA/MOU and/or the State Plan of Operation.
- Obtain reconciliation reports from the State Coordinator and conduct monthly and annual reconciliations. Provide reconciliation results to the State Coordinator.
- Conduct inventory reconciliations and provide inventory reconciliation results electronically to the State Coordinator within 10 working days of the monthly or annual reconciliation process. Maintain a signed copy of all reconciliation documentation received through the 1033 Program.
- Submit disposal, transfer, and inventory adjustment requests to the State Coordinator.

The former Sheriff’s office was not in compliance with the terms and conditions of the MOA. Property received under the 1033 Program should not have been transferred to organizations, individuals and/or businesses which do not have compensated officers with the powers of arrest and apprehension. Records providing an audit trail were not maintained, and there was no evidence that the former Sheriff’s office had requested or received any approvals for disposal of items received under the program. Additionally, no evidence was on file to indicate the former Sheriff’s office had prepared, submitted, and maintained copies of the required reconciliations.

The above conditions resulted from the lack of proper controls and monitoring by the former Sheriff of the DRMO program and inventory. Without proper controls over the inventory process, equipment and vehicles received under the program by the former Sheriff’s office were exposed to a higher risk of theft and/or fraud and the disposition of many of the received items cannot be determined. The former Sheriff’s office should have complied with the terms and conditions of the MOA by maintaining proper inventory records for all items received from the State 1033 Program, obtaining written approvals for all items disposed of, conducting inventory reconciliations, and ensuring equipment and supplies received under the program were, with written approval, transferred only to LEAs whose primary function is enforcement of applicable Federal, State, and local laws as defined in DLA regulation 4160.10 whose compensated officers have powers of arrest and apprehension.

This matter will be referred to the Kentucky State Police and Federal Bureau of Investigation.

*Former Sheriff's response: I know as former Sheriff I had the Responsibility of my Office and Personnel In regards to the DRMO equipment that is mentioned in the Paragraph. I had a certified and trained Deputy Sheriff that I put in full control of the DRMO program because he was more familiar with the program because the department he left was using the same program This deputy at that time I fully trusted to do a great job with the program He handled all the paper work phone calls and texts to Arrange Property Release and Pick up to State Coordinator the following list is all the Equipment that I was aware of my Department Receiving (6) Humvees (3) Impala Patrol Cars (2) pickup trucks (2) Chevrolet Blazers (1) Fuel Tanker Truck (1) Jeep Cherokee (1) Jeep Liberty (6) generators, binoculars, 5 or 6 Black jackets. A few laptops most didn't work Red and Blue Light bars and a few other office supplies. On April 24, 2015 I met with the auditors they showed me a list of items that had been gotten Between August 16, 2011 thru July 10, 2012 there was things on this list that I have never heard of or never seen and knew anything about My office never paid to have anything shipped or paid anyone to go pick up anything such as the items that was listed on the Documentation that the Auditors had. They also showed me a Confirmation sheet that had my signature the only time I saw this Form was once a year when I signed it to confirm I still had the Humvees and also had to send pictures with it of the Humvees to the State Coordinator at KSP Headquarters in Frankfort. The 2006 Blue Jeep Liberty in Question it was obtained in December 2012 I paid \$400 to have it delivered from South Carolina to Monroe County. When it was received it wouldn't run the interior was torn to pieces had a busted windshield battery was gone outside was scratched really bad I replaced all the things that was Wrong with it new battery, windshield, new seats and plastic on the inside and had it painted. After we got it running I went and ask county judge about licensing and insuring it his statement to me was that he wasn't going to license or insurer anymore vehicles in the counties name. In January 2013 I drove the jeep during the snowy and icy days because it was a 4x4 in installed emergency equipment in it so we could make calls if the weather was Bad. I took it upon myself to license and insurer it in my name so we could use it if needed in February 2013 I issued the Jeep to my wife to drive because she was always working and helping out and Running errands going and getting supplies around and for the office and I didn't have her on the payroll. I spoke to the deputy in charge of the program before he left my Department about the Surplus Equipment and he stated that after the (2) years was over it was up to me to do whatever I wanted to Sale or give it to another department for use he stated that everything we had was off the Books and could be done with whatever I felt was necessary with the exception of the Humvees. On January 2, 2015 I sold the Jeep Liberty to my wife for \$1. I spent approximately \$1,500 and still needs about \$2,200 worth of work on the motor on the jeep when I left office the dollar bill was stapled to a document explaining what I did. The auditors stated they hadn't seen it or nobody knows where it went. The reason I agreed to get in this program was to help get some newer patrol cars for the county so we would be better equipped when an emergency arose at no Cost to the Tax Payers I knew the office couldn't afford to buy any. As For the Other Equipment other than what I put in my Response I have no Knowledge of it or it's where bout's all I had is what was turned over to the Current Sheriff the auditors told me that what they have Read and seen is that the Equipment wasn't to be gotten rid of unless approved by the KSP coordinator if that is true I will give the jeep back and loose what I have spent on it. I've been out of office almost 9 months it's took me this long to find all of this out I'm not sure what has happened to the Equipment I left at the sheriff's office I do know that the 1988 Jeep Cherokee has been Sold or Traded.*

**The former Sheriff should deposit personal funds for disallowed disbursements and pay excess fees to the fiscal court.** The former Sheriff should deposit personal funds for disallowed disbursements and pay excess fees to the fiscal court. The former Sheriff expended \$53 from the fee account for a gift and \$23 on finance charges during the year. Furthermore, excess fees for the year were not turned over to the fiscal court. In Funk v. 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.

KRS 64.830 requires an outgoing county official, as soon as his successor has been qualified and inducted into office and his official bond approved, to immediately vacate his office, deliver to his successor all books, papers, records and other property held by virtue of his office, and make a complete settlement of his accounts as a county official. Each outgoing county official is required to make a final settlement with the fiscal court of his county by March 15th immediately following the expiration of his term of office for all money received by him as a county official and to obtain his quietus, and immediately thereafter deliver these records to the incumbent county official.

Good internal controls dictate the former Sheriff should have monitored disbursements to ensure they were necessary and beneficial to the public and that excess fees were turned over in a timely manner. We recommend the former Sheriff deposit \$76 from personal funds to his 2014 fee account for the disallowed disbursements, and pay total excess fees of \$29,844 to the Fiscal Court.

*Former Sheriff’s response: The former 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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