



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2014 financial statement of former Pike County Sheriff Charles E. Keese. 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 Pike 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 former sheriff had \$105,571 of disallowed disbursements in his 75% Operating Fund.

The former sheriff paid \$144,825 in annual leave payments at the end of his term to his employees. Of that amount, \$105,571 was paid for time that exceeded the allowable carry forward amount set forth in his own policies and procedures manual, which he adopted on January 2, 1990. The policy allowed for a maximum of 30 days of annual leave to be carried forward and paid to an employee upon termination or retirement. The former sheriff disregarded these policies and procedures and paid annual leave buyouts in excess of allowable amounts.

Ten employees received compensation for over 30 days of accumulated annual leave. The following is a breakdown of payments:

Hours Paid	Amount Paid	Maximum Payment Allowed	Disallowed Amount
248	\$ 2,718	\$ 2,635	\$ 83
399	3,946	2,374	1,572
300	2,190	1,752	438
1,085	19,877	4,397	15,480
555	4,052	1,752	2,300
1,800	24,696	3,293	21,403
1,915	51,890	6,504	45,386
785	10,598	3,240	7,358
256	3,684	3,461	223
None Documented	11,328		11,328
			\$ 105,571

The former sheriff should have followed the written policies and procedures in all areas. We recommend the former sheriff reimburse the 75% operating account from personal funds the \$105,571 for these disallowed payments.

Former sheriff's response: No comment.

The former sheriff's 75% fund had a \$26,596 deficit balance at year end. The former sheriff's 75% Operating Fund had a deficit balance of \$26,596 as of December 31, 2014. KRS 64.345(4) states, "If seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." The 75% Operating Fund has to be settled at the end of the former sheriff's term, which ended December 31, 2014. We recommend the former sheriff work with the County to resolve the deficit. The former sheriff should have monitored his operating account's receipts and disbursements to ensure that no deficit occurred.

Former sheriff's response: No comment.

The former sheriff did not maintain adequate time records for all employees. The former sheriff's office did not maintain adequate timesheets accounting for actual hours worked, and timesheets were not signed by the supervisor. KRS 337.320 states, in part, "Every employer shall keep a record of . . . [t]he hours worked each day and each week by each employee; and . . . [s]uch record shall be kept on file for at least one (1) year." In addition, timesheets should be kept for payroll verification and as a record of leave time used and to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance. The supervisor's signature is necessary to verify all information

on the timesheet is correct. Good internal controls dictate that all timesheets be signed by employees and have supervisory approval. The former sheriff should have maintained proper time records for all employees.

Former sheriff's response: No comment.

The former sheriff's office lacked adequate segregation of duties. The former sheriff's office lacked adequate segregation of duties. The former sheriff's bookkeeper collected payments from customers, prepared deposits, wrote checks, posted transactions to the receipts ledger, posted checks to the disbursements ledger and prepared monthly and quarterly reports. The former sheriff or another employee did not document oversight of any of these activities. Lack of oversight could result in undetected misappropriation of assets or inaccurate financial reporting to external agencies such as Department for Local Government. This is a result of a limited budget, which restricts the number of employees the former sheriff could hire or delegate duties to. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The former sheriff should have separated the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations and comparing financial reports to ledgers. If this was not feasible due to a limited budget, then cross checking procedures could have been implemented and documented by the individual performing the procedures.

Former sheriff's response: No comment.

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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