



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Powell County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Powell County Sheriff Danny Rogers. 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 receipts, disbursements and excess fees of the Powell 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 noncompliance 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 sheriff was not involved in the daily financial activities of his office: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The sheriff was not involved in the financial daily activities of his office. Numerous weaknesses in the control environment of the Powell County Sheriff's Office significantly increase the risk of fraud and misappropriation of funds and decrease the accuracy of records provided.

This condition is a result of poorly designed policies and procedures; inconsistent, incomplete, and inaccurate implementation of controls; and lack of management oversight and involvement. The following deficiencies were noted:

- A lack of segregation of duties over receipts and disbursements.
- A final settlement was not presented to the fiscal court and excess fees were not paid timely for 2017.
- Prior year accounts have not been settled and amounts due to the fiscal court have not been paid.
- Not all quarterly financial reports were submitted to the Department for Local Government (DLG).
- A lack of adequate controls over disbursements.
- Disallowed disbursements totaling \$1,708.
- Invoices not paid timely.
- Bank account was not adequately reconciled and checks written with insufficient funds to cover them.
- Quarterly financial reports were not submitted to DLG.

Management has a responsibility to design and implement internal controls that provide reasonable assurance regarding the reliability of financial reporting. Internal control is a management process for keeping an entity on course in achieving its business objectives. Internal controls should ensure resources are protected from waste, loss, and misuse and ensure reliable data is obtained, maintained, and fairly disclosed. Entities are required to establish controls to provide reasonable assurance that the recording, processing, and reporting of data is properly performed within the framework of financial management systems.

The following recommendations are supplemented by additional recommendations presented throughout this report:

- The sheriff should provide direct oversight of financial reporting for all receipts and disbursements.
- The sheriff should implement internal controls over the financial accounting system that ensure an adequate internal control structure, including management oversight; provide reasonable assurance that assets are safeguarded and transactions are processed in accordance with applicable laws and regulations; and ensure transactions are recorded, reconciled, processed, and summarized to permit the preparation of reliable financial data.
- The sheriff should segregate duties so that no one person can both create and conceal fraudulent activity or commit an undetected material error.
- The sheriff should implement sufficient supervisory review of key functions and activities. All supervisory reviews should be evidenced in writing.

Sheriff's Response: The sheriff did not provide a response.

The sheriff's office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2016-002. The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares

deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities.

The sheriff indicated this was caused by a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG).

Segregation of duties over various accounting functions such as opening the 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.

We recommend the sheriff separate the duties involved in receiving cash, preparing deposits, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure.

Sheriff's Response: The sheriff did not provide a response.

The sheriff did not settle his 2017 fee account, or present a final settlement to the fiscal court: This finding is similar in nature to prior year audit report Finding 2016-003. The sheriff did not settle his 2017 fee account, and he did not present a final settlement to the fiscal court for calendar year 2017. In order to settle the account, the sheriff should collect and pay the following:

<u>Assets</u>	
Cash in Bank	\$ 0
Receivables:	
Due From 2016 Tax Account	\$ 10,261
Due From Sheriff - Disallowed Disbursements	<u>1,708</u>
Total Receivables	<u>11,969</u>
Total Assets	11,969
<u>Liabilities</u>	
Unpaid Obligations:	
Due To Fiscal Court - Serving Paper Fees	\$ 4,810
Total Liabilities	<u>\$ 4,810</u>
Excess Fees Due County For 2017	<u>\$ 7,159</u>

This is a result of a lack of management oversight by the sheriff as described in Finding 2017-001. He did not ensure that an annual settlement was presented to the fiscal court and that excess fees were properly paid. The failure to pay liabilities caused the fiscal court to be deprived of funds for significant time periods.

KRS 134.192 states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” KRS 134.192(11) requires, “[a] complete statement of all funds received by his or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of his or her commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes;” and “[a] complete statement of all expenditures of his or her office, including his or her salary, compensation of deputies and assistants, and reasonable expenses.” We recommend the sheriff take the necessary steps to ensure the amounts above are collected and paid as soon as possible. We further recommend the sheriff settle his accounts before September 1 of each year hereafter.

Sheriff’s Response: The sheriff did not provide a response.

The sheriff did not settle his 2016 fee account: This is a repeat finding and was included in the prior year audit report as Finding 2016-003. The sheriff did not settle his 2016 fee account. In order to settle the account, the sheriff should collect the amounts due to the 2016 fee account and then pay the remaining excess fees to the county as shown below:

<u>Assets</u>	
Cash in Bank - 2016 Fee Account	\$ 0
Receivables:	
Due from Sheriff - Disallowed Disbursements	\$ 1,154
Due from 2015 Tax Account - Add-on Fees	<u>8,612</u>
Total Receivables	<u>9,766</u>
Total Assets	<u>9,766</u>
Excess Fees Due The County For Calendar Year 2016	<u><u>\$ 9,766</u></u>

Note: This account was closed on February 1, 2019. The receivable balances are still due to the fiscal court. Since the reported liabilities in the prior year finding were due to the fiscal court, they have been included in the ending excess fee balance due.

This is a result of a lack of management oversight by the sheriff as described in Finding 2017-001. He did not ensure that his 2016 fee account was properly settled and that excess fees were properly paid. Also, there were disallowed disbursements reported in the 2016 audit. As a result, the sheriff owes the county excess fees in the amount of \$9,766.

KRS 134.192 states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” Furthermore, KRS 64.820(1) states, “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and KRS 64.810 if the amount can be collected without suit.” KRS 64.820(2) states, “[i]n the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor’s or certified public accountant’s report.” We recommend the sheriff take the necessary steps to ensure the amounts above are collected and paid as soon as possible. This matter will be referred to the Powell County Attorney.

Sheriff’s Response: The sheriff did not provide a response.

The sheriff did not settle his 2015 fee account: This is a repeat finding and was included in the prior year audit report as Finding 2016-004. The sheriff did not settle his 2015 fee account. In order to settle the account, the sheriff should collect the amounts due to the 2015 fee account and then pay the remaining excess fees to the county as shown below:

Assets

Cash in Bank - 2015 Fee Account	\$	0
Receivables:		
Due from Sheriff - Disallowed Disbursements	\$	885
Due from 2015 Tax Account - Commissions		<u>2,609</u>
Total Receivables		<u>3,494</u>
Total Assets		<u>3,494</u>
Excess Fees Due The County For Calendar Year 2015	\$	<u><u>3,494</u></u>

Note: This account was closed on January 16, 2019. The receivable balances are still due to the fiscal court. Since the reported liabilities in the prior year finding were due to the fiscal court, they have been included in the ending excess fee balance due.

This is a result of a lack of management oversight by the sheriff as described in Finding 2017-001. He did not ensure that his 2015 fee account was properly settled and that excess fees were properly paid. Also, there were disallowed disbursements reported in the 2015 audit. As a result, the sheriff owes the county excess fees in the amount of \$3,494.

KRS 134.192 states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” Furthermore, KRS 64.820(1) states, “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS

43.070 and KRS 64.810 if the amount can be collected without suit.” KRS 64.820(2) states, “[i]n the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor’s or certified public accountant’s report.” We recommend the sheriff take the necessary steps to ensure the amounts above are collected and paid as soon as possible. This matter will be referred to the Powell County Attorney.

Sheriff’s Response: The sheriff did not provide a response.

The sheriff did not settle his 2014 fee account: This is a repeat finding and was included in the prior year audit report as Finding 2016-005. The sheriff did not settle his 2014 fee account. In order to settle the account, the sheriff should collect the amounts due to the 2014 fee account and then pay the remaining excess fees to the county as shown below:

<u>Assets</u>	
Cash in Bank - 2014 Fee Account	\$ 0
Receivables:	
Due from Sheriff - Disallowed Expenditures	4,075
Due from 2013 Fee - Various Errors	<u>1,861</u>
Total Receivables	<u>5,936</u>
Excess Fees Due The County For Calendar Year 2014	<u>\$ 5,936</u>

Note: This account was closed on January 16, 2019. The receivable balances are still due to the fiscal court.

This is a result of a lack of management oversight by the sheriff as described in Finding 2017-001. He did not ensure that his 2014 fee account was properly settled and that excess fees were properly paid. Also, there were disallowed disbursements reported in the 2014 audit. As a result, the sheriff owes the county excess fees in the amount of \$5,936.

KRS 134.192 states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” Furthermore, KRS 64.820(1) states, “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and KRS 64.810 if the amount can be collected without suit.” KRS 64.820(2) states, “[i]n the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor’s or certified public accountant’s report.” We recommend the sheriff take the necessary steps to ensure the amounts above are collected and paid as soon as possible. This matter will be referred to the Powell County Attorney.

Sheriff's Response: The sheriff did not provide a response.

The sheriff did not settle his 2013 fee account: This is a repeat finding and was included in the prior year audit report as Finding 2016-006. The sheriff did not settle his 2013 fee account. In order to settle the account, the sheriff should collect and pay the following:

Assets

Cash in Bank - 2013 Fee Account		\$	0
Receivables:			
Due From 2012 Fee Account - Deposit Errors	\$	10,043	
Due From Sheriff - Overpayment of Salary		750	
Due From Sheriff - Disallowed Expenditures		419	
		<hr/>	
Total Receivables			11,212
			<hr/>
Total Assets			11,212

Liabilities

Unpaid Obligations:			
Due To 2014 Fee Account - Various Errors		1,861	
Due To Fiscal Court - Paper Fees		3,594	
		<hr/>	
Total Unpaid Obligations			5,455
			<hr/>
Excess Fees Due The County For Calendar Year 2013		\$	5,757
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The sheriff does not have procedures in place to ensure that disbursements are paid from the appropriate bank accounts. Also, there were disallowed disbursements in the 2013 audit. After all amounts are collected and paid, the sheriff will have excess fees due to the county in the amount of \$5,757.

KRS 134.192 states, “[e]ach sheriff shall annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 of each year.” Furthermore, KRS 64.820(1) states, “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and KRS 64.810 if the amount can be collected without suit.” KRS 64.820(2) states, “[i]n the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor’s or certified public accountant’s report.” We recommend the sheriff take the necessary steps to ensure the amounts above are collected and paid as soon as possible. This matter will be referred to the Powell County Attorney.

Sheriff's Response: The sheriff did not provide a response.

The sheriff did not resolve the deficit in his 2012 fee account: This is a repeat finding and was included in the prior year audit report as Finding 2016-007. After all known unpaid liabilities were accounted for, the sheriff had a deficit of \$11,449 in his 2012 fee account. In order to settle the account, the sheriff should collect and pay the following:

Assets

Cash in Bank - 2012 Fee Account	\$	0
Receivables:		
Due From Sheriff - Disallowed Disbursements		<u>947</u>
Total Assets		947

Liabilities

Unpaid Obligations:		
Due To 2013 Fee Account - Deposit Errors	\$	10,043
Due To Fiscal Court - Paper Fees		<u>2,353</u>
Total Unpaid Obligations		<u>12,396</u>
Total Fund Balance as of December 31, 2012		<u><u>\$ (11,449)</u></u>

This deficit was caused by deposit errors and disallowed disbursements. The sheriff received a deposit of in lieu of tax money in error and did not reimburse it when received; however, they used the receipts to fund his 2012 fee account. These funds were paid back to the fiscal court on April 29, 2013, from the 2013 fee account. Since 2012 expenditures cannot be paid by the 2013 fee account, these funds must be reimbursed to this account from the sheriff. The failure to pay liabilities caused the fiscal court to be deprived of funds for significant time periods.

KRS 64.820(1) states, “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and KRS 64.810 if the amount can be collected without suit.” KRS 64.820(2) states, “[i]n the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the Auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the Auditor’s or certified public accountant’s report.” We recommend the sheriff take the necessary steps to ensure the amounts above are collected and paid as soon as possible. This matter will be referred to the Powell County Attorney.

Sheriff's Response: The sheriff did not provide a response.

The sheriff did not submit all quarterly reports to the Department for Local Government as required: This is a repeat finding and was included in the prior year audit report as Finding 2016-020. The sheriff did not submit a second or third quarter report to the Department for Local Government (DLG) as required. This was caused by the lack of management oversight as described in Finding 2017-001. Failure to comply with these regulations result in a lack of availability of financial records to approving authorities.

KRS 68.210 states, “[t]he 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 and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials.” The state local finance officer requires a cumulative quarterly report be submitted by the 30th day following the close of each quarter. We recommend the sheriff provide all financial records to DLG when required.

Sheriff's Response: The sheriff did not provide a response.

The sheriff lacks adequate controls over disbursements: This is a repeat finding and was reported in the prior year audit as Finding 2016-008. The sheriff's office lacked strong internal controls over disbursements. The lack of adequate controls over disbursements, inadequate segregation of duties, and absence of review procedures, as discussed in Findings 2017-001 and 2017-002, led to multiple discrepancies as follows:

- There were disallowed disbursements totaling \$1,708 (see Finding 2017-011).
- Invoices were paid as much as eight months late (see Finding 2017-012).

There were not adequate review procedures in place, as described in Finding 2017-001, to detect, eliminate, or reduce errors. Taxpayer funds were misspent as noted by disallowed disbursements. Invoices and lease payments not paid timely could result in substantial late fees, penalties, or other ramifications.

Strong internal controls require that adequate documentation and sufficient review of all disbursements are necessary to reduce the risk of errors and misstatements. We recommend the sheriff implement procedures that strengthen controls over disbursements to eliminate the exceptions noted above in the future.

Sheriff's Response: The sheriff did not provide a response.

The sheriff had \$1,708 in disallowed disbursements: This is a repeat finding and was reported in the prior year audit report as Finding 2016-009. The sheriff expended a total of \$1,708 for the following disallowed items:

- Items not necessary for the operation of the sheriff's office totaling \$544 (stickers and candy).
- One item did not have documentation in the amount of \$869, which could be personal in nature.

- Items not adequately documented totaling \$193. The invoices for these items did not provide sufficient detail to determine if the item was an allowable expense of the sheriff's office.
- Overdraft bank charges totaling \$102.

This is the result of a lack of internal controls over disbursements as described in Finding 2017-010, and lack of management oversight as described in Finding 2017-001. The disallowed disbursements result in taxpayer funds being spent inappropriately. In addition, the sheriff personally owes \$1,708 to the 2017 fee account to reimburse these disallowed disbursements.

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.

We recommend the sheriff reimburse \$1,708 to the 2017 fee account from his personal funds for these disallowed disbursements. Furthermore, we recommend the sheriff only expend funds for allowable purposes in the future.

Sheriff's Response: The sheriff did not provide a response.

The sheriff did not pay invoices timely: This is a repeat finding and was reported in the prior year audit report as Finding 2016-010. At least six invoices in our sample of 30 disbursements were not paid within 30 working days, some as much as eight months late. This condition is a result of a lack of internal controls over disbursements as described in Finding 2017-010, and lack of management oversight as described in Finding 2017-001. Failure to pay invoices timely results in noncompliance with statutes and can result in late fees and other penalties.

KRS 65.140 states, "all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice[.]" In order to avoid late fees and penalties and to comply with KRS 65.140, we recommend the sheriff pay invoices within 30 days.

Sheriff's Response: The sheriff did not provide a response.

The sheriff does not have controls in place over fuel purchases: The sheriff's office lacks controls over fuel purchases. Receipts are not maintained for fuel purchased. The sheriff utilizes a third party fuel purchasing system, but does not follow the procedures for fuel purchases the system is designed to monitor. The sheriff receives a monthly invoice from the vendor used for purchasing fuel. These invoices list each person purchasing fuel along with the vehicle mileage, quantity, and price. We noted the following issues regarding fuel purchases:

- Fuel card users routinely did not list the vehicle mileage when purchasing fuel.
- Periodic use of fuel cards by two special deputies (special deputies are sworn officers of the sheriff's office but are not employees and do not receive wages from the sheriff's office). The sheriff's office does not have a policy regarding fuel and vehicle use by special deputies.

The sheriff did not have controls in place to adequately monitor fuel purchases. Besides payroll expenses, fuel purchases are the largest single expense for the sheriff's office. Without proper documentation of these fuel purchases by vehicle unit number and by the assigned deputy, the risk of fuel being purchased for personal use or by unauthorized users greatly increases.

Good internal controls over fuel purchases require the sheriff to ensure that adequate documentation is maintained to support the disbursement, which includes the odometer readings for all vehicles and the person purchasing the fuel. Strong internal controls over the current fuel card system would require each employee or vehicle be assigned a specific card, would specify that cards not be shared, and would prohibit multiple users from using the same card. This creates accountability for each user of the fuel cards. In addition, the sheriff should have a policy regarding fuel purchases by special deputies or other non-employees. In very rare instances this might be acceptable, but the sheriff should outline the specific situations in which this would be necessary.

We recommend the sheriff properly use this third party fuel purchasing system and ensure that all fuel purchases are properly supported by proper documentation, which includes accurate odometer readings and designation of proper vehicle unit numbers. We also recommend the sheriff review and reconcile the third party fuel reports monthly to note any employees not following proper fuel purchase procedures. Furthermore, we recommend the sheriff establish policies and procedures to address fuel card use by special deputies.

Sheriff's Response: The sheriff did not provide a response.

The sheriff did not adequately reconcile his bank account and wrote checks which had insufficient funds to cover the disbursements: The sheriff's fourth quarter financial report did not reconcile to the bank account as of December 31, 2017. Also, the sheriff wrote two checks on the 2017 fee account when the bank balance was insufficient to cover them and was charged overdraft fees by the bank. The two checks were a combined total of \$20,027. The sheriff was not adequately reconciling the fee account to the bank balance throughout the year.

This is a result of a lack of management oversight by the sheriff as described in Finding 2017-001. The sheriff did not ensure his bank account was properly reconciled and that the cash balance throughout the year was sufficient to cover all checks written. As a result, the sheriff's fourth quarter report, which serves as the sheriff's annual financial statement, was not complete and reconciled to the bank account. Further, there were overdraft fees charged by the bank for the checks written when the bank balance was insufficient to cover them.

The state local finance officer, under the authority of KRS 68.210, established minimum accounting requirements which include reconciling receipts and disbursements to monthly bank statements.

We recommend the sheriff ensure the quarterly financial reports are reconciled to the bank balance in the future. Furthermore, we recommend the sheriff properly utilize bank reconciliations in order to determine the available funds in his bank account.

Sheriff's Response: The sheriff did not provide a response.

The sheriff did not pay fiscal court fees collected for the service of subpoenas and civil summons to the fiscal court: This is a repeat finding and was included in the prior year audit report as Finding 2016-013. The sheriff did not pay court fees collected for serving subpoenas and civil summons to the fiscal court. During calendar year 2017, the sheriff collected \$24,050 in civil summons fees and subpoena fees. Of this amount, \$4,810 constituted fees belonging to the fiscal court.

The sheriff is aware of the ordinance and chose not to pay the required amount to the fiscal court. The failure to pay fees timely resulted in an unpaid obligation of \$4,810 to the fiscal court, as noted in Finding 2017-003.

As authorized under KRS 64.091 and approved by the Powell County Fiscal Court in Ordinance 00-06-29A, an additional fee of \$10 shall be charged for the service of a subpoena and for the service of a civil summons. Amounts collected should be turned over to the fiscal court monthly.

We recommend the sheriff pay amounts due to the fiscal court monthly as required by ordinance. We further recommend the sheriff implement controls to ensure all future amounts due the fiscal court are paid timely.

Sheriff's Response: The sheriff did not provide a response.

The sheriff lacked adequate controls over payroll: This is a repeat finding and was reported in the prior year audit report as Finding 2016-015. The sheriff's office lacked adequate internal controls over the processing of payroll, specifically over timesheets and gross wage calculations.

Review procedures were in place; however, they were not adequately performed to eliminate or reduce errors. Due to the lack of effective controls, numerous exceptions were noted as follows:

- An office employee's timesheet for one pay period did not add correctly. This employee was paid for 84 regular hours, 16 holiday hours, and 64 overtime hours for the pay period. Based on the timesheet submitted, this employee was overpaid for 4 hours of regular time and 4 hours of overtime. Also, this employee did not complete an overtime request form as required by the sheriff's policy manual.
- Two employees did not have hours listed on their timesheets, but rather just wrote "Salary" on the timesheet.
- Leave balances were not properly maintained. Only one full time employee maintained leave balances.

Due to issues noted with timesheets, payroll has not been documented adequately and may not be calculated correctly. Good internal controls dictate that adequate controls and sufficient review are necessary to reduce the risk of errors and misstatements. One necessary element for internal controls over payroll is that every timesheet list the hours worked each day and each pay period.

KRS 337.320 requires that every employer shall keep a record of the amount paid each pay period to employees and the hours worked each day and each week for employees. As a matter of internal control, the hours paid must agree to the hours documented and each timesheet should be signed by the employee and a supervisor.

Furthermore, these issues are in violation of the sheriff's policy manual. Section 9.1(1.) states, "[e]ach deputy of this office shall keep an individual timesheet for each pay period. Each member shall use this timesheet to record their hours worked." Section 9.12 states, "[a]n overtime request form shall be completed with each block of overtime worked."

We recommend the sheriff review the procedures that are in place and strengthen controls over the payroll process. The sheriff should ensure compliance with the applicable laws and regulations and ensure all hours worked are completely and accurately documented and payroll calculations are accurate.

Sheriff's Response: The sheriff did not provide a response.

The sheriff has not resolved a possible conflict of interest: This is a repeat finding and was reported in the prior year audit report as Finding 2016-016. An employee of the sheriff's office is also serving as a magistrate of the fiscal court, which may constitute a conflict of interest. On June 5, 2012, the sheriff hired an individual to serve as deputy sheriff for the sheriff's office. On January 1, 2015, this person was elected to serve as a magistrate of the fiscal court, an incompatible office. The deputy sheriff did not vacate the first office of employment upon being elected to serve on the fiscal court. The employee chose to accept both positions and did not consult with the county attorney or attorney general regarding the potential conflict of interest in doing so. When this person accepted an appointment as a deputy sheriff then accepted the office of magistrate, his position of deputy sheriff could be vacated as a matter of law. Any actions he has taken as a deputy sheriff after accepting the magistrate appointment may be null and void.

Per the Attorney General's *Conflicts of Interest and Incompatible Offices Manual*, a county officer may not serve as a county employee. KRS 61.080(12) makes the positions of magistrate (justice of the peace) and deputy sheriff incompatible. Also, KRS 61.090 states, "[t]he acceptance by one (1) in office of another office or employment incompatible with the one (1) he holds shall operate to vacate the first." In addition, this may constitute a common law incompatibility of office because the office of deputy sheriff as an employee of the county is subordinate to the position of magistrate. OAG 83-252; Hermann v. Lampe, 194 S.W. 122 (Ky. 1917). We recommend the sheriff seek advice from the county attorney and comply with his recommendations in order to ensure that there are no conflicts of interest.

Sheriff's Response: The sheriff did not provide a response.

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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