

**REPORT OF THE AUDIT OF THE
MARSHALL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2013**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARSHALL COUNTY SHERIFF

**For The Year Ended
December 31, 2013**

The Auditor of Public Accounts has completed the Marshall County Sheriff's audit for the year ended December 31, 2013. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$22,537 from the prior year, resulting in excess fees of \$203,064 as of December 31, 2013. Revenues increased by \$164,387 from the prior year and expenditures increased by \$141,850.

Report Comment:

2013-01 The Sheriff Overspent The Maximum Salary Limitation Fixed By The Fiscal Court

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike Miller, Marshall County Judge/Executive
The Honorable Kevin Byars, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Marshall County, Kentucky, for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Mike Miller, Marshall County Judge/Executive
The Honorable Kevin Byars, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Sheriff, as of December 31, 2013, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2013, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 10, 2014 on our consideration of the Marshall County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marshall County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance.

The Honorable Mike Miller, Marshall County Judge/Executive
The Honorable Kevin Byars, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Other Reporting Required by Government Auditing Standards (Continued)

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

2013-01 The Sheriff Overspent The Maximum Salary Limitation Fixed By The Fiscal Court

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accounts

July 10, 2014

MARSHALL COUNTY
 KEVIN BYARS, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2013

Revenues

Federal Grants:

Highway Safety Grant	\$ 21,568	
Drug Task Force Grant	10,000	
COPS Hire Grant	50,309	
COPS Technology Grant	<u>26,745</u>	\$ 108,622

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF) 86,367

State Fees For Services:

Finance and Administration Cabinet	29,623	
Sheriff Security Fees	21,477	
Court Security Fees	<u>96,449</u>	147,549

Circuit Court Clerk:

Fines and Fees Collected 13,970

Fiscal Court 507,852

County Clerk - Delinquent Taxes 35,556

Commission On Taxes Collected 825,805

Fees Collected For Services:

Auto Inspections	12,795	
Accident and Police Reports	2,472	
Civil Service Fees	34,740	
Fiscal Court Civil Service Fees	8,600	
Carrying Concealed Deadly Weapon Permits	16,540	
Impounded Vehicles	125	
Jury Meals	266	
Mental Transports	<u>6,104</u>	81,642

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
 KEVIN BYARS, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2013
 (Continued)

Revenues (Continued)

Other:

Add-on Fees	\$ 77,118	
Tax Interest	913	
Hardin Overtime Reimbursement	5,549	
Insurance Reimbursement	32,046	
School Officer Salary Reimbursement	42,452	
Other Reimbursements	47,271	
Restitution	1,128	
Miscellaneous	854	207,331

Interest Earned		283
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Total Revenues		2,014,977
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Expenditures

COPS Technology Grant	26,745	
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Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	1,117,431
Other Salaries - KLEFPF	63,213
Overtime	130,464

Employee Benefits-

Employer's Share Social Security	7,537
Employer's Share Hazardous Duty Retirement	19,970

Contracted Services-

Advertising	819
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Materials and Supplies-

Office Materials and Supplies	6,052
Uniforms	3,173

Auto Expense-

Gasoline	108,807
Auto Equipment Expense	21,973
Repairs	34,111
Boat Expenses	2,496

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
 KEVIN BYARS, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2013
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges-		
Training Expense	\$	12,607
Dues		2,102
Postage		9,619
Bond		1,120
Miscellaneous		2,599
Deputy Equipment Expense		30,095
Deputy Supplies		6,118
Impounded Vehicles/Wrecker Bills		1,880
BA Testing		450
Jury Meals		147
Transporting Prisoners		5,553
Civil Process-Fiscal Court Fees		8,600
Capital Outlay-		
Office Equipment		5,390
Vehicles		<u>86,515</u>
Total Expenditures		<u>\$ 1,715,586</u>
Net Revenues		299,391
Less: Statutory Maximum		<u>92,475</u>
Excess Fees		206,916
Less: Training Incentive Benefit		<u>3,852</u>
Excess Fees Due County for 2013		203,064
Payment to Fiscal Court - February 3, 2014		<u>203,064</u>
Balance Due Fiscal Court at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2013

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.192 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2013 services
- Reimbursements for 2013 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2013

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MARSHALL COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2013
 (Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent for the first six months and 18.89 percent for the last six months.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 37.60 percent for the first six months and 35.70 percent for the last six months.

The Sheriff's contribution to employer's share of retirement for 2011 was \$21,421, for 2012 was \$23,836 and 2013 was \$19,970.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2013
(Continued)

Note 2. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Marshall County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Marshall County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Forfeiture Account

The Marshall County Sheriff's office maintains a Drug Forfeiture Account. The account is funded by court-ordered forfeitures of money and/or property, and interest received on deposits. The funds are to be used for various law enforcement operations, equipment, and education to fight against drug problems in Marshall County. As of January 1, 2013, the Drug Forfeiture Account had a balance of \$10,649. During the year, funds totaling \$24,406 were received and \$23,337 was expended, leaving a balance of \$11,718 as of December 31, 2013.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2013
(Continued)

Note 5. Drug Awareness Resistance Education Account

The Marshall County Sheriff's office maintains a Drug Awareness Resistance Education (DARE) account for the promotion of drug awareness and prevention in the elementary schools. Funding for the DARE program is provided primarily by donations made to the United Fund Drive of Calvert City, and interest earned on the deposit of these funds. As of January 1, 2013, the DARE account had a balance of \$2,362. During the year, funds totaling \$1,219 were received and \$2,312 was expended, leaving a balance of \$1,269 as of December 31, 2013.

Note 6. Donation Account

In December 2007, the Marshall County Sheriff's office established a donation account as authorized by KRS 61.310(8). This account is used to account for donations from local businesses or other organizations and interest earned on the deposit of these funds. As of January 1, 2013, the Donation account had a balance of \$4,822. During the year, funds totaling \$454 were received and \$4,185 was expended, leaving a balance of \$1,091 as of December 31, 2013.

Note 7. DEA Asset Forfeiture Account

In August 2012, the Marshall County Sheriff's office established a DEA Asset Forfeiture account as authorized by the U.S. Department of Justice. This account is funded by DEA confiscated assets in asset sharing. The funds are to be used to support narcotics investigations. As of January 1, 2013, the Drug Forfeiture Account had a balance of \$4,322. During the year, the account earned \$3 of interest. Expenditures totaled \$4,310, leaving a balance of \$15 as of December 31, 2013.

Note 8. Federal Grants

Highway Safety Grant

The Marshall County Sheriff's office received federal grant funds passed through the Kentucky Transportation Cabinet Office of Highway Safety in the amount of \$21,568. The grant funds were reimbursements for expenses relating to highway safety issues, more specifically, alcohol countermeasures. As of December 31, 2013, the Marshall County Sheriff's office was in compliance with the terms of the grant program.

Pennyrile Drug Task Force Grant

The Marshall County Sheriff's office entered into an interlocal agreement with the Pennyrile Narcotics Task Force, which was awarded a federal methamphetamine grant. During the year, the Marshall County Sheriff's office received grant funds of \$10,000 for reimbursements of deputies' salaries related to drug enforcement activities. As of December 31, 2013, the Marshall County Sheriff's office was in compliance with the terms of the interlocal agreement.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2013
(Continued)

Note 8. Federal Grants (Continued)

COPS Hire Grant

The Marshall County Sheriff's office received grant funds from the Community Oriented Policing Services (COPS) Hiring Program (CHP) in the amount of \$50,309. CHP grants help provide funding to local law-enforcement agencies for the hiring of additional officers. As of December 31, 2013, the Marshall County Sheriff's office was in compliance with the terms of the grant program.

COPS Technology Grant

The Marshall County Sheriff was awarded a Community Oriented Policing Services (COPS) Technology Grant in the amount of \$250,000 by the Department of Justice. This amount was received in 2010 for the purpose of updating and purchasing equipment within the office. The grant was ended in April 2013. As of January 1, 2013, the fund had a balance of \$26,739. During the year, the account earned \$6 of interest. As of December 31, 2013 grant funds were fully expended and the grant was closed.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike Miller, Marshall County Judge/Executive
The Honorable Kevin Byars, Marshall County Sheriff
Members of the Marshall County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statement of revenues, expenditures, and excess fees - regulatory basis of the Marshall County Sheriff for the year ended December 31, 2013, and the related notes to the financial statement and have issued our report thereon dated July 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Marshall County Sheriff's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Marshall County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marshall County Sheriff's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marshall County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation as item 2013-01.

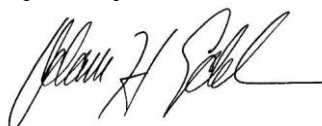
County Sheriff's Response to Finding

The Marshall County Sheriff's response to the finding identified in our audit is included in the accompanying comment and recommendation. The Marshall County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

July 10, 2014

COMMENT AND RECOMMENDATION

MARSHALL COUNTY
KEVIN BYARS, SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2013

STATE LAWS AND REGULATIONS:

2013-01 The Sheriff Overspent The Maximum Salary Limitation Fixed By The Fiscal Court

During our audit, we noted the Marshall County Sheriff overspent his maximum salary limitation as fixed by the Fiscal Court by \$107,291. The Marshall County Fiscal Court fixed the Deputies' base salary limit at \$1,000,000; however, the Sheriff expended \$1,107,291.

KRS 64.530(3) states, "the fiscal court shall fix annually the reasonable 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."

Because the Sherriff exceeded the base salary amount approved by fiscal court, he is in non-compliance with KRS 64.530(3). Therefore, we recommend the Marshall County Sheriff monitor his payroll expenditures during the year and obtain any necessary amendments, before year end.

Sheriff's Response: I will adhere to the recommendations of the Auditor's Office and monitor the payroll and make necessary amendments before year end.

