



## Report of the Vermont State Auditor

June 9, 2015

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# VERMONT COUNTY SHERIFFS' DEPARTMENTS

Sheriffs Maintain \$6 Million of  
Unrestricted Reserves, but  
Remain at Risk from Uncorrected  
Internal Control Deficiencies

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**Douglas R. Hoffer**  
Vermont State Auditor  
Rpt. No. 15-06

### **Mission Statement**

The mission of the Auditor's Office is to hold state government accountable. This means ensuring that taxpayer funds are used effectively and efficiently, and that we foster the prevention of waste, fraud, and abuse.

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**STATE OF VERMONT  
OFFICE OF THE AUDITOR**

June 9, 2015

Representative Maxine Grad, Chair,  
House Committee on Judiciary

Senator Dick Sears, Chair,  
Senate Committee on Judiciary

Representative Mitzi Johnson, Chair,  
House Committee on Appropriations

Senator Jane Kitchel,  
Chair, Senate Committee on Appropriations

Dear Colleagues,

I am pleased to submit the results of the audits for each of Vermont's 14 County Sheriffs' Department audits, as required by 24 VSA §290b(d). In accordance with §290b(e), each Sheriff's Department is required to be audited once every two years by a public accounting firm, with the cost of these audits shared by the State Auditor's Office, the Secretary of Administration, and the respective Sheriff's Department.

This report compiles the financial information from statements that have been audited under §290b(e), rather than unaudited financial reports submitted to the State Auditor's Office under §290b(d). Our report provides a summary of financial information and audit findings.

Overall, the Sheriffs maintained more than \$6 million in unrestricted reserves during 2013 and 2014. However, weaknesses in internal controls over segregation of duties, approval of expenses, and financial reporting have remained uncorrected and continue to threaten the security of their assets and accuracy of financial reporting. Our contracted auditors, McSoley McCoy & Co, reviewed internal controls over financial reporting and identified 19 significant deficiencies<sup>1</sup> and 6 control deficiencies<sup>2</sup>, of which 16 remain uncorrected from previous audits. Internal control deficiencies were identified in 9 of 14 sheriffs' departments. More than half of the departments had two or more deficiencies. If these conditions remain unchecked material weaknesses in internal control and modified audit opinions could be issued in future audits.

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<sup>1</sup> A *significant deficiency* is a control 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. A *material weakness* is a deficiency, or combination of deficiencies, in internal control that creates a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis.

<sup>2</sup> A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their functions, to prevent or detect and correct misstatements on a timely basis.

This report summarizes the results from audits that were conducted on the following schedule:

For the year ended June 30, 2013:

For the year ended June 30, 2014:

Bennington County	Addison County
Chittenden County	Caledonia County
Orange County	Essex County
Washington County	Franklin County
Windham County	Grand Isle County
Windsor County	Lamoille County
	Orleans County
	Rutland County

The audits referenced in this report were conducted in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*.<sup>1</sup> Each audit includes an auditor's report on the sheriffs' financial statements as well as the required report on internal control and compliance including internal control findings and recommendations for corrective action.

This report is submitted pursuant to statutory requirement, as well as the desire to keep members of the General Assembly, the executive branch, and the public informed regarding the finances of Vermont's sheriffs' departments.

Respectfully,



Douglas R. Hoffer  
Vermont State Auditor

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<sup>1</sup> Copies of individual County Sheriff's Department audit reports are available upon request.

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## Introduction

The State Auditor's Office (SAO) has several statutory responsibilities related to the auditing and reporting of financial information for each of the 14 county sheriffs' departments.

According to 24 VSA §290b(e), the SAO is responsible for working with sheriffs' department to retain a certified public accountant to conduct a biennial audit of the financial systems, controls, and procedures for each sheriffs' department. Accordingly, the SAO and the Sherriff's department hired McSoley McCoy & Co (McSoley McCoy or the auditors), an independent certified public accounting firm, to perform the sheriffs' audits for 2013 and 2014.

The following schedule outlines the audited sheriffs' departments covered in this report. The audits were performed over a two-year period due to the volume of audits required under statute.

<b>County</b>	<b>Audited for year ending June 30:</b>
Bennington County	2013
Chittenden County	
Orange County	
Washington County	
Windham County	
Windsor County	

<b>County</b>	<b>Audited for year ending June 30:</b>
Addison County	2014
Caledonia County	
Essex County	
Franklin County	
Grand Isle County	
Lamoille County	
Orleans County	
Rutland County	

The SAO is also responsible, under 24 VSA §290b(d), for compiling and submitting a report of results of these audits to the House and Senate

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Committees on Judiciary. The objective of this report is to provide a synopsis for the committees of the results of the financial statement audits conducted by McSoley McCoy during 2013 and 2014. Our previous report issued on March 12, 2013 included the results of 2011 and 2012 sheriffs' audits.

Included in our report is a summary of financial information from the statements of net position and statements of revenues, expenses, and changes in net position for all counties. Also included is a summary of audit findings from the independent auditors' reports; the reports on internal control over financial reporting, compliance, and other matters; and the auditors' required communication with those charged with governance. Appendix I contains detail on our scope and methodology.

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## Background

### **Sheriffs' Departments**

A county sheriff's department is a governmental entity created by the Vermont Constitution and operating under the specific authority and procedures established under 24 V.S.A. Chapter 5. A sheriff and its full-time employees are considered employees of the county and are generally paid by the county. However, full-time deputy sheriffs whose primary responsibility is transportation of prisoners and persons with a mental condition or psychiatric disability are paid by the State of Vermont.

The Sheriffs' departments generate most of their revenue from charges for services. Sheriff's may also enter into written contracts with the State of Vermont, an Agency of the United States, one or more towns within or outside the county, or any other nongovernmental entity to provide law enforcement or other related services. Other related services may include security; control dispatching and other centralized support services; and service of lawful writs, warrants and processes.

Operating expenses are typically funded partially from county taxpayers through the general county budget, and partially from a variety of department fees and service charges, some of which are set by statute and others by the county sheriff.

The fees are intended to provide resources to cover all costs of the sheriff's department, except the costs paid directly by the State and county noted above, including recovery of the cost of property and equipment used in the performance of these services.

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## **Auditors' Reports**

The independent auditors' report, included in the audited financial statements, provides an opinion on the extent to which the audited financial statements are presented fairly and are free of material misstatements. The independent auditor's report also reports on management's responsibility for the financial statements, the auditor's responsibility, and other matters.

The report on internal control, compliance, and other matters provides information about internal control deficiencies and instances of noncompliance with provisions of laws, regulations, contracts, and grants.

Statement of Auditing Standards no. 114 (The Auditor's Communication with Those Charged with Governance) requires independent auditors performing financial statement audits to communicate certain information to those charged with governance. This information includes the auditors' responsibilities under generally accepted auditing standards, planned scope and timing of the audit, and significant audit findings. The section on reporting of significant audit findings addresses important qualitative aspects of accounting practices, difficulties encountered during the audit, corrected and uncorrected misstatements, disagreements with management, management representations, management consultations with other independent accountant, and other issues.

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## Sheriffs Maintain Unrestricted Reserves of \$6 Million

During 2013 and 2014 the sheriffs collectively maintained reserves of \$6 million (assets minus liabilities and other restricted net assets) available to be spent by the sheriffs without restriction. The sheriffs also reported \$13.3 million in assets consisting mostly of cash, accounts receivable, and fixed assets. They reported only \$2.3 million in liabilities, mostly for accounts payable, accrued payroll, and notes payable. Also during this period the sheriffs generated \$17.8 million in revenue and incurred \$17.4 million in expenses from providing services for law enforcement; security; control dispatching and other centralized support services; service of lawful writs, warrants and processes; and transportation of prisoners and the mentally disabled.<sup>1</sup>

The tables on the following pages have been assembled with data from financial statement audits of each sheriff's department, according to our two-year audit plan. The statements of net position and statements of revenues, expenses, and changes in net position for the year ended June 30, 2014 have been compiled in Tables 1 and 2 for Addison, Caledonia, Essex, Franklin, Grand Isle, Lamoille, Orleans, and Rutland counties. The statements of net position and statements of revenues, expenses, and changes in net position for the year ended June 30, 2013 have been compiled in Tables 3 and 4 for Bennington, Chittenden, Orange, Washington, Windham, and Windsor counties. The notes to financial statements that accompany each audit report have not been included in our report but are an integral part of the financial statements. The notes are available upon request.

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<sup>1</sup> Some of the service charges are set by statute and others are set by contract with the State.

**Table 1: Summary of Fiscal Year 2014 Audited Statements of Net Position**

<b>For the year ended June 30, 2014</b>	<i>Addison</i>	<i>Caledonia</i>	<i>Essex</i>	<i>Franklin</i>	<i>Grand Isle</i>	<i>Lamoille</i>	<i>Orleans</i>	<i>Rutland</i>	<b>TOTAL</b>
<b>Assets</b>									
Cash and cash equivalents	\$273,523	\$330,251	\$137,910	\$65,561	\$72,890	\$1,154,153	\$15,993	\$32,419	\$2,082,700
Accounts receivable	88,306	166,256	88,851	215,338	106,476	46,924	44,492	157,426	914,069
Prepaid expenses	1,979	19,841	274	18,913	8,069	23,997	-	-	73,073
Other current assets	10,178	-	-	-	-	75,000	9,260	-	94,438
Construction in progress	-	-	-	-	-	101,036	-	-	101,036
Fixed Assets, Net of Accumulated Depreciation	338,289	96,386	68,063	377,273	166,244	1,065,356	284,293	792,893	3,188,797
Restricted assets	-	-	-	-	11,514	357,319	189,100	194,190	752,123
<b>Total Assets</b>	<b>712,275</b>	<b>612,734</b>	<b>295,098</b>	<b>677,085</b>	<b>365,193</b>	<b>2,823,785</b>	<b>543,138</b>	<b>1,176,928</b>	<b>\$7,206,236</b>
<b>Liabilities</b>									
Accounts payable	6,735	10,506	3,314	181,592	3,843	128,716	8,588	30,267	373,561
Accrued payroll and payroll items	19,914	27,362	1,509	30,950	23,383	149,173	23,720	94,036	370,047
Other current liabilities	-	-	-	-	24,389	-	-	13,851	38,240
Current portion of long-term debt	-	-	-	22,011	7,567	12,205	-	51,560	93,343
Long-term debt - less current portion	-	-	-	55,095	14,667	32,057	-	368,239	470,058
Annuities due to employees	-	-	-	-	-	-	-	194,190	194,190
<b>Total Liabilities</b>	<b>26,649</b>	<b>37,868</b>	<b>4,823</b>	<b>289,648</b>	<b>73,849</b>	<b>322,151</b>	<b>32,308</b>	<b>752,143</b>	<b>1,539,439</b>
<b>Deferred Inflow of Resources</b>									
Uncharged contract services	-	-	-	26,746	-	-	-	-	26,746
<b>Net Position</b>									
Invested in capital assets	338,289	96,386	68,063	300,167	144,010	1,122,130	284,293	373,094	2,726,432
Restricted assets	-	-	-	-	11,514	357,319	189,100	-	557,933
Unrestricted	347,337	478,480	222,212	60,524	135,820	1,022,185	37,437	51,691	2,355,686
<b>Total Net Position</b>	<b>685,626</b>	<b>574,866</b>	<b>290,275</b>	<b>360,691</b>	<b>291,344</b>	<b>2,501,634</b>	<b>510,830</b>	<b>424,785</b>	<b>5,640,051</b>
<b>Total Liabilities and Net Position</b>	<b>\$712,275</b>	<b>\$612,734</b>	<b>\$295,098</b>	<b>\$677,085</b>	<b>\$365,193</b>	<b>\$2,823,785</b>	<b>\$543,138</b>	<b>\$1,176,928</b>	<b>\$7,206,236</b>

**Table 2: Summary of Fiscal Year 2014 Audited Statements of Revenue, Expenses, and Changes in Net Position**

<b>For the year ended June 30, 2014</b>	<i>Addison</i>	<i>Caledonia</i>	<i>Essex</i>	<i>Franklin</i>	<i>Grand Isle</i>	<i>Lamoille</i>	<i>Orleans</i>	<i>Rutland</i>	<i>TOTAL</i>
<b>Operating Revenues:</b>									
Charges for services	\$655,719	\$818,158	\$194,611	\$1,041,604	\$483,067	\$2,959,419	\$670,567	\$1,314,432	\$8,137,577
Transport services	18,984	18,240	-	-	-	-	-	-	37,224
Process services	50,326	46,150	-	-	-	-	-	-	96,476
Operating grants	-	15,754	54,470	373,314	121,276	26,015	9,221	258,443	858,493
County support	85,473	-	-	130,856	-	111,522	-	175,282	503,133
Miscellaneous revenues	22,892	3,624	1,651	1,392	12,695	76,187	34,062	2,875	155,378
<b>Total operating revenues</b>	<b>833,394</b>	<b>901,926</b>	<b>250,732</b>	<b>1,547,166</b>	<b>617,038</b>	<b>3,173,143</b>	<b>713,850</b>	<b>1,751,032</b>	<b>9,788,281</b>
<b>Operating Expenses:</b>									
Contracted services	343,975	473,725	179,237	747,866	362,094	815,864	255,862	1,108,886	4,287,509
Process services	4,799	9,844	-	171,272	4,042	26,093	52,869	17,879	286,798
Transportation services	-	-	-	-	-	42,685	19,139	-	61,824
Grant expenditures	-	7,651	-	-	113,797	241,460	12,591	57,799	433,298
Administration and general	252,129	234,910	20,388	320,192	24,302	649,996	226,581	239,803	1,968,301
Jail services	12,700	-	-	-	-	-	-	-	12,700
Communications services	-	9,075	-	-	-	1,050,850	47,742	192,056	1,299,723
Automotive services	81,248	55,043	27,594	128,192	55,169	98,030	70,557	110,060	625,893
Depreciation	83,691	51,237	21,922	87,252	49,299	222,735	117,295	114,458	747,889
<b>Total operating expenses</b>	<b>778,542</b>	<b>841,485</b>	<b>249,141</b>	<b>1,454,774</b>	<b>608,703</b>	<b>3,147,713</b>	<b>802,636</b>	<b>1,840,941</b>	<b>9,723,935</b>
<b>Net operating income (loss)</b>	<b>54,852</b>	<b>60,441</b>	<b>1,591</b>	<b>92,392</b>	<b>8,335</b>	<b>25,430</b>	<b>(88,786)</b>	<b>(89,909)</b>	<b>64,346</b>

<b>For the year ended June 30, 2014</b>	<i>Addison</i>	<i>Caledonia</i>	<i>Essex</i>	<i>Franklin</i>	<i>Grand Isle</i>	<i>Lamoille</i>	<i>Orleans</i>	<i>Rutland</i>	<i>TOTAL</i>
<b>Non-operating Income (Expenses):</b>									
Gain (loss) on sale of equipment	3,508	-	-	3,474	2,000	16,000	1,750	(478)	26,254
Interest income	91	-	-		65	2,370	227	26	2,779
Interest expense	(181)	-	-	(5,255)	(1,064)	-	(204)	(20,088)	(26,792)
<b>Total non-operating income (expenses)</b>	<b>3,418</b>	<b>-</b>	<b>-</b>	<b>(1,781)</b>	<b>1,001</b>	<b>18,370</b>	<b>1,773</b>	<b>(20,540)</b>	<b>2,241</b>
Capital contributions from grants					57,591	75,000	60,456	161,671	354,718
<b>Net income (loss)</b>	<b>58,270</b>	<b>60,441</b>	<b>1,591</b>	<b>90,611</b>	<b>66,927</b>	<b>118,800</b>	<b>(26,557)</b>	<b>51,222</b>	<b>421,305</b>
									-
Net assets, beginning of year	627,356	514,425	251,282	270,080	224,417	2,382,834	537,387	373,563	5,181,344
Prior Period Adjustment	-	-	37,402	-	-	-	-	-	37,402
<b>Net assets, end of year</b>	<b>\$685,626</b>	<b>\$574,866</b>	<b>\$290,275</b>	<b>\$360,691</b>	<b>\$291,344</b>	<b>\$2,501,634</b>	<b>\$510,830</b>	<b>\$424,785</b>	<b>5,640,051</b>

**Table 3: Summary of Fiscal Year 2013 Audited Statements of Net Position**

<b>For the year ended June 30, 2013</b>	<b><i>Bennington</i></b>	<b><i>Chittenden</i></b>	<b><i>Orange</i></b>	<b><i>Washington</i></b>	<b><i>Windham</i></b>	<b><i>Windsor</i></b>	<b><i>TOTAL</i></b>
<b>Assets</b>							
Cash and cash equivalents	\$70,416	\$1,257,251	\$43,780	\$652,681	\$64,280	\$927,805	\$3,016,213
Accounts receivable	145,308	384,514	164,149	128,694	145,500	67,973	1,036,138
Due from other governments	-	-	-	-	60,184	48,594	108,778
Prepaid expenses	1,632	26,362	2,379	16,218	6,346	21,738	74,675
Other current assets	-	-	-	-	-	-	-
Fixed assets, net of accumulated depreciation	188,384	540,707	591,069	117,896	194,860	256,272	1,889,188
Restricted assets	-	-	1,903	-	-	-	1,903
<b>Total Assets</b>	<b>405,740</b>	<b>2,208,834</b>	<b>803,280</b>	<b>915,489</b>	<b>471,170</b>	<b>1,322,382</b>	<b>\$6,126,895</b>
<b>Liabilities</b>							
Accounts payable	24,742	21,487	31,651	22,190	23,299	29,285	152,654
Accrued payroll and payroll items	26,780	52,471	25,089	39,829	53,770	36,101	234,040
Other current liabilities	-	-	-	-	3,554	-	3,554
Current portion of notes and other debt payable	25,183	-	204,739	-	18,520	-	248,442
Notes and other debt payable net of current portion	18,984	-	101,806	-	-	-	120,790
<b>Total Liabilities</b>	<b>95,689</b>	<b>73,958</b>	<b>363,285</b>	<b>62,019</b>	<b>99,143</b>	<b>65,386</b>	<b>759,480</b>
<b>Net Position</b>							
Invested in capital assets	144,217	540,707	284,524	117,896	176,340	256,272	1,519,956
Restricted cash	-	-	1,903	-	195,687	-	197,590
Unrestricted	165,834	1,594,169	153,568	735,574	-	1,000,724	3,649,869
<b>Total Net Position</b>	<b>310,051</b>	<b>2,134,876</b>	<b>439,995</b>	<b>853,470</b>	<b>372,027</b>	<b>1,256,996</b>	<b>5,367,415</b>
<b>Total Liabilities and Net Position</b>	<b>\$405,740</b>	<b>\$2,208,834</b>	<b>\$803,280</b>	<b>\$915,489</b>	<b>\$471,170</b>	<b>\$1,322,382</b>	<b>\$6,126,895</b>

**Table 4: Summary of Fiscal Year 2013 Statements of Revenues, Expenses, and Changes in Net Position**

<b>For the year ended June 30, 2013</b>	<b><i>Bennington</i></b>	<b><i>Chittenden</i></b>	<b><i>Orange</i></b>	<b><i>Washington</i></b>	<b><i>Windham</i></b>	<b><i>Windsor</i></b>	<b><i>TOTAL</i></b>
<b>Operating Revenues:</b>							
Charges for services	\$1,212,857	\$1,563,620	\$561,865	\$570,155	\$557,161	\$752,821	\$5,218,479
Jail revenues	-	-	1,825	3,860	-	-	5,685
Transport services	-	-	-	105,214	278,584	68,891	452,689
Process services	-	-	-	184,674	104,084	191,913	480,671
Operating grants	110,450	98,976	494,043	45,097	71,047	33,291	852,904
County Support	-	-	121,447	466,346	-	93,896	681,689
Miscellaneous revenues	1,129	184,537	29,784	42,852	34,950	2,383	295,635
<b>Total operating revenues</b>	<b>1,324,436</b>	<b>1,847,133</b>	<b>1,208,964</b>	<b>1,418,198</b>	<b>1,045,826</b>	<b>1,143,195</b>	<b>7,987,752</b>
<b>Operating Expenses:</b>							
Contracted services	844,990	602,650	323,063	814,322	650,205	389,009	3,624,239
Process services	-	136,404	19,992	65,125	33,923	69,005	324,449
Transportation services	1,004	87,256	18,951	-	-	25,722	132,933
Grant expenditures	712	-	74,237	-	46,304	22,962	144,215
Administration and general	218,496	306,895	554,541	285,803	170,200	485,554	2,021,489
Jail services	-	-	3,917	4,344	-	-	8,261
Communication expenses	19,830	-	26,700	38,166	78,869	21,097	184,662
Vehicle expenses	173,162	134,420	120,596	88,618	94,598	103,185	714,579
Miscellaneous	-	-	-	-	998	-	998
Depreciation	55,076	93,295	132,656	72,897	83,843	82,333	520,100
<b>Total operating expenses</b>	<b>1,313,270</b>	<b>1,360,920</b>	<b>1,274,653</b>	<b>1,369,275</b>	<b>1,158,940</b>	<b>1,198,867</b>	<b>7,675,925</b>
<b>Net operating income (loss)</b>	<b>11,166</b>	<b>486,213</b>	<b>(65,689)</b>	<b>48,923</b>	<b>(113,114)</b>	<b>(55,672)</b>	<b>311,827</b>

<b>For the year ended June 30, 2013</b>	<b><i>Bennington</i></b>	<b><i>Chittenden</i></b>	<b><i>Orange</i></b>	<b><i>Washington</i></b>	<b><i>Windham</i></b>	<b><i>Windsor</i></b>	<b><i>TOTAL</i></b>
<b>Non-operating Income (Expenses):</b>							
Gain (loss) on sale of equipment	-	(1,085)	9,228	-	353	11,000	19,496
Interest income	122	5,046	-	3,598	294	1,135	10,195
Interest expense	(2,557)	-	(5,512)	(57)	(5,113)	-	(13,239)
<b>Total non-operating income (expenses)</b>	<b>(2,435)</b>	<b>3,961</b>	<b>3,716</b>	<b>3,541</b>	<b>(4,466)</b>	<b>12,135</b>	<b>16,452</b>
<b>Net income (loss)</b>	<b>8,731</b>	<b>490,174</b>	<b>(61,973)</b>	<b>52,464</b>	<b>(117,580)</b>	<b>(43,537)</b>	<b>328,279</b>
Net assets, beginning of year	255,518	1,592,910	428,527	801,006	510,280	1,300,533	4,888,774
Prior year adjustment	45,802	51,792	73,441	-	(20,673)	-	150,362
<b>Net assets, end of year</b>	<b>\$310,051</b>	<b>\$2,134,876</b>	<b>\$439,995</b>	<b>\$853,470</b>	<b>\$372,027</b>	<b>\$1,256,996</b>	<b>\$5,367,415</b>

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## Auditors Issue Unmodified Opinions, But Significant Internal Control Deficiencies Remain Uncorrected

We summarized the results of the audit findings reported in the independent auditors' reports; the report on internal control over financial reporting and on compliance and other matters; and in the auditors' required communication with those charged with governance.

Overall, the sheriffs' departments basic financial statements<sup>1</sup> were presented fairly and received unmodified or favorable audit opinions. However, the sheriffs omitted the required management's discussion and analysis (MD&A) section that should accompany the basic financial statements. There were also many significant deficiencies reported by McSoley McCoy that remained uncorrected from previous audits and continue to threaten the security of their assets and accuracy of financial reporting. If these conditions remain unchecked, material weaknesses in internal control and modified audit opinions could be issued in future audits.

There were no instances of noncompliance with laws and regulations identified. The auditors found that all significant transactions were recognized in the proper periods and the financial statement disclosures were neutral, consistent, and clear. Moreover, McSoley McCoy did not report any difficulties or disagreements with management during the audit.

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### Unmodified Opinions Issued by Independent Auditors

McSoley McCoy conducted audits of all 14 county sheriffs' departments during 2013 and 2014. All counties received an unmodified audit opinion, that is, their basic financial statements present fairly in all material respects and are in accordance with generally accepted accounting principles. Table 5 summarizes the audit opinions from the independent auditors' reports.

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<sup>1</sup> The basic financial statements include the statement of net position; statements of revenues, expenses, and changes in net position; statement of cash flows; and the notes to the financial statements.

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**Table 5: Audit Opinions**

	Audit Report Date	Opinion Expressed
FY2013		
Bennington	December 5, 2013	Unmodified
Chittenden	December 5, 2013	Unmodified
Orange	March 20, 2014	Unmodified
Washington	December 5, 2013	Unmodified
Windham	November 26, 2013	Unmodified
Windsor	November 25, 2013	Unmodified
FY2014		
Addison	December 10, 2014	Unmodified
Caledonia	September 15, 2014	Unmodified
Essex	December 5, 2014	Unmodified
Franklin	November 14, 2014	Unmodified
Grand Isle	November 30, 2014	Unmodified
Lamoille	December 5, 2014	Unmodified
Orleans	November 28, 2014	Unmodified
Rutland	December 5, 2014	Unmodified

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### Sheriffs Omit Required Management Discussion and Analysis

All 14 sheriffs' departments omitted the management discussion and analysis (MD&A) that accounting principles and the Government Accounting Standards Board requires to supplement the basic financial statements. The MD&A is an essential part of financial reporting for communicating managers' insights; increasing the understandability of the financial statements; and providing understandable and accessible information about operations, service levels, successes, challenges, and the future. The auditors' opinion on the basic financial statements is not affected by this missing information, but without the MD&A, readers of the financial statements may not have sufficient information to fully understand the operational and financial condition of the sheriffs' departments.

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### Many Internal Control Deficiencies Remain Uncorrected

McSoley McCoy reviewed internal controls over financial reporting and identified 19 significant deficiencies and 6 control deficiencies, of which 16 remain uncorrected from previous audits. Internal control deficiencies were identified in 9 of 14 sheriffs' departments. More than half of the departments

had two or more deficiencies. The deficiencies included lack of segregation of duties, inadequate revenue cutoff procedures, lack of approval of expenses, not maintaining documentation supporting certain expenses, and lack of adherence to asset capitalization policies.

These weaknesses in internal controls threaten the security of their assets and accuracy of financial reporting. If these deficiencies remain uncorrected they expose the departments to risk of improper payments and financial misstatements and could result in future material weaknesses and modified auditors' opinions. Below is a summary of internal control findings for each sheriff's department. It is our intention to follow-up and report on the corrective actions taken by the sheriffs for all findings during our next compilation

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## Summary of Internal Control Findings

### Addison County

Profile Donald M. Keeler, Jr., Sheriff  
 Addison County Sheriff's Department  
 35 Court Street  
 Middlebury, VT 05753  
 Audit Period: For year ended June 30, 2014

Overview Two control deficiencies identified

Control Deficiency 2014-01	Revenue Recognition
Finding	Revenue was recorded when billed instead of when the services were performed. Revenue should be recorded based on when the services were performed. A reliable cutoff is critical to the accuracy and reliability of the financial statements.
Recommendation	A review should be performed by the department's bookkeeper to verify that the year-end cutoff procedures are performed during the months following year-end.
Management's Response	Management agrees with the finding and will review revenue and expense transactions to ensure proper cutoff.
SAO's Response	Proper revenue cutoff procedures are key to a strong financial

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	reporting process. Without basic revenue cutoff procedures the department has an increased risk of materially misstating its financial statements.
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Control Deficiency 2014-02	Paid Time Off Policy
Finding	The department changed its policy for vacation leave, sick leave and compensated holidays for employees hired after 2012, but it does not have a written policy documenting this change.
Recommendation	The department should establish a written policy and adhere to the approved policy.
Management's Response	Management agrees with the finding and is in the process of developing an updated policy for the paid time off.
SAO's Response	The department should implement the new written policy promptly.

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## Bennington County

### Profile

Chad D. Schmidt, Sheriff

Bennington County Sheriff's Department

212 Lincoln Street

P.O. Box 4207

Bennington, VT 05201

Audit Period: For year ended June 30, 2013

### Overview

Three significant deficiencies identified.

Significant Deficiency 2013-01	Capitalization of Assets
Finding	The department has a policy of capitalizing assets greater than \$1,000. Several expenditures had been recorded as expenses rather than capital assets. In addition, capital assets that are purchased with grant funds or received through other sources should also be recorded as capital assets with the corresponding revenue recorded, as applicable.
Recommendation	We recommend that the department adhere to its capitalization policy.
Management's	Management agrees with this finding and will implement procedures to review all capital purchases and repairs in excess of \$1,000 for proper recognition.
SAO's Response	This finding has remained uncorrected since 2011. Strong policies and procedures, such as capitalization policies help to strengthen the department's internal controls and financial reporting. Failure to adhere to the department's capitalization policy could result in misleading and incorrect financial statements. The department should correct this finding immediately.

Significant Deficiency 2013-02	Revenue and Expense Recognition
Finding	The accrual basis of accounting requires that revenue and expenses be recognized when revenue is earned or becomes realizable and when expenses are incurred. Expenses for several services received were recorded to the incorrect fiscal year.

Recommendation	We recommend that management implement procedures to ensure all revenue and expenses be recognized to the proper period. This should include reviewing invoices to determine that charges are billed for the same period the service was rendered, reviewing invoices to determine if there are prepaid amounts for coverage after year end, and reviewing invoices that are received after year end to ensure they are recorded to the proper period.
Management's Response	Management agrees with this finding and will begin reviewing revenue and expense transactions to ensure proper cutoff.
SAO's Response	This finding has remained uncorrected since 2011. Proper revenue and expense cutoff procedures are the foundation to a strong financial reporting process. We find it disconcerting that the department has failed to implement basic cutoff procedures for consecutive audits. Without basic revenue and expense cutoff procedures the department has an increased risk of materially misstating its financial statements. The department should correct this finding immediately. If this finding remains during the next audit it could result in a material weakness in internal controls and a modified audit opinion

Significant Deficiency 2013-03	Segregation of Duties
Finding	A critical element of any internal control is to separate the authority from recordkeeping functions. The Sheriff has full access to QuickBooks, accounting software. Therefore, the Sheriff could record journal entries and make other transactions within QuickBooks.
Recommendation	We recommend the department grant read-only access to the Sheriff to QuickBooks.
Management's Response	Management agrees with this finding and will consider granting read-only access to the Sheriff.
SAO's Response	We believe the Sheriff should make this change immediately. As the executive officer, the Sheriff's financial responsibilities should be limited to reviewing financial transactions, not recording them. This function should be segregated and performed by the department's accounting personnel.

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## **Caledonia County**

### **Profile**

Dean R. Shatney, Sheriff

Caledonia Sheriff's Department

1126 Main Street, Suite 2

St. Johnsbury, VT 05819

Audit Period: For year ended June 30, 2014

### **Overview**

No control deficiencies, significant deficiencies, or material weaknesses identified.

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## Chittenden County

Profile            Kevin M. McLaughlin, Sheriff  
                          Chittenden County Sheriff's Department  
                          P.O. Box 1426  
                          70 Ethan Allen Drive  
                          South Burlington, VT 05403  
                          Audit Period: For year ended June 30, 2013

Overview                            Two significant deficiencies identified.

Significant Deficiency 2013-01	Revenue Recognition
Finding	The accrual basis of accounting requires revenue be recognized when revenue is earned or becomes realizable. Revenue for a number of services performed at the end of June 2012 and June 2013 were recorded to the next fiscal year.
Recommendation	We recommend that management implement procedures to ensure all revenue be recognized in the proper period. This should include reviewing invoices to determine that charges are billed for the same period in which the services were rendered.
Management's Response	Management agrees with this finding and will begin reviewing revenue and expense transaction to ensure proper cutoff.
SAO's Response	This finding has remained uncorrected since 2011. Proper revenue cutoff procedures are the foundation to a strong financial reporting process and without them the department has an increased risk of materially misstating its financial statements. The department should correct this finding immediately. If this finding remains during the next audit it could result in a material weakness in internal controls and a modified audit opinion.

Significant Deficiency 2013-02	Capitalization of Assets
Finding	The department has a policy of capitalizing assets greater

	<p>than \$1,000. Several disbursements had been recorded as expenses rather than capital assets. In addition, capital assets that are purchased with grant funds or received through other sources should also be considered as a capital asset with the corresponding revenue recorded, as applicable.</p>
Recommendation	<p>We recommend that the department adhere to its capitalization policy.</p>
Management's Response	<p>Management agrees with this finding and will develop and implement procedures that will enhance what is already being done to recognize capital purchases. Furthermore, management of Chittenden County Sheriff's department will review and update its "Accounting Policies and Practices" policy to account for currently accepted practices.</p>
SAO's Response	<p>This finding has remained uncorrected since 2011. Strong policies and procedures, such as capitalization policies, help to strengthen the department's internal controls over financial reporting. Failure to adhere to the department's capitalization policy could result in misleading and incorrect financial statements. The department should correct this finding immediately.</p>

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## Essex County

### Profile

Trevor Colby, Sheriff

Essex County Sheriff's Department

91 Courthouse Drive

Guildhall, VT 05905

Audit Period: For year ended June 30, 2014

### Overview

Four significant deficiencies identified.

Significant Deficiency 2014-01	Segregation of Duties
Finding	<p>A lack of segregation of duties within the cash receipt and disbursement and recordkeeping areas exists due to the small size of the department. Separating these closely related functions in the cash receipts and disbursement system will improve internal control in these particular areas.</p> <p>In addition, the Sheriff has full access to QuickBooks, accounting software. Therefore the Sheriff could record journal entries and make other transactions within QuickBooks</p>
Recommendations	<p>Additional procedures should be implemented to improve segregation of duties over cash receipts and disbursements and recordkeeping. The Sheriff or someone else who is not involved in the accounting function should open the mail, maintain the list of all receipts, and restrictively endorse all items received as "for deposit only." This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited. This process would also allow the Sheriff to review the bank statement prior to the reconciliation process. Someone other than the check preparer and signor should mail all payments. This will ensure that all checks reach their approved designated party. We also recommend the department grant read-only access to the Sheriff to QuickBooks.</p>
Management's Response	<p>The Sheriff decided not to respond to this finding.</p>
SAO's Response	<p>This finding has remained uncorrected since 2011 and should be corrected immediately. Management's lack of</p>

	<p>responsiveness and failure to initiate corrective actions exposes the department to risk of loss of assets and financial misstatements. The current weaknesses in the department's segregation of duties over cash receipts significantly increases the risk that erroneous or fraudulent transactions could occur. Effective segregation of duties is designed to prevent the possibility that a single person could be responsible for critical functions in such a way that errors or misappropriations could occur and not be detected in a timely manner, in the normal course of business processes.<sup>1</sup> Although segregation of duties alone will not adequately ensure that only authorized activities occur, inadequate segregation of duties increases the risk of improper payments.</p>
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Significant Deficiency 2014-02	Employee Manual
Finding	The department has not established policies and procedures governing employee work schedules and for administration of employee benefits, such as vacation leave, sick leave, compensated holidays, and other fringe benefits.
Recommendation	The department should establish policies and procedures and adhere to the approved policy.
Management's Response	The Sheriff decided not to respond to this finding.
SAO's Response	This finding has remained uncorrected since 2011 and should be corrected immediately. Establishing policies and procedures governing work schedules and employee benefits is very important to the daily operations of a department. These policies and procedures provide an essential framework that employees rely on to do their jobs. They provide specific direction to and help form the basis for decisions made by employees. Without this framework, conflict can occur, poor decisions can be made, and serious harm can be done to the department's reputation. Further,

<sup>1</sup> *Internal Control Standards: A Guide for Managers* (Department of Finance & Management).

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	the efficiency and effectiveness of operations can be adversely affected. <sup>2</sup>
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Significant Deficiency 2014-03	Authorization of Invoices and Timesheets
Finding	There were several instances when signatures or supporting documentation authorizing the invoices and employee time sheets were missing.
Recommendation	We recommend that all invoices and time sheets are documented as approved to provide evidence of the financial reporting process and approval.
Management's Response	The Sheriff decided not to respond to this finding.
SAO's Response	This finding has remained uncorrected since 2011 and should be corrected immediately. Management's lack of responsiveness and failure to initiate corrective actions exposes the department to risk of loss of assets and financial misstatements. Management should clearly document its approval requirements and ensure that employees obtain approvals in all situations where management has decided they are necessary. <sup>3</sup> Without a strong approval and verification process over payroll and expenditures, the department runs the risk that certain payments may not be for legitimate business purposes and improper payments could be made.

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<sup>2</sup> *Internal Control Standards: A Guide for Managers* (Department of Finance & Management).

<sup>3</sup> *Internal Control Standards: A Guide for Managers* (Department of Finance & Management).

Significant Deficiency 2014-04	Revenue Recognition
Finding	Revenue was recorded when billed instead of when the services were performed. Revenue should be recorded based on when services were performed. A reliable cutoff is critical to the accuracy and reliability of the financial statements.
Recommendation	We suggest that a review be performed by the department's bookkeeper to verify that year-end cutoff is performed during the months following year-end.
Management's Response	The Sheriff decided not to respond to this finding.
SAO's Response	This finding has remained uncorrected since 2011 and should be corrected immediately. Proper revenue cutoff procedures are the foundation to a strong financial reporting process. We find it disconcerting that the department has failed to implement basic cutoff procedures for consecutive audits, and without them the department has an increased risk of materially misstating its financial statements. If this finding remains in the next audit it could result in a material weakness in internal controls and a modified audit opinion.

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## Franklin County

Profile            Robert W. Norris, Sheriff  
                         Franklin County Sheriff's Department  
                         P.O. Box 367  
                         387 Lake Road  
                         St. Albans, VT 05478  
                         Audit Period: For year ended June 30, 2014

Overview            One significant deficiency identified.

Significant Deficiency 2014-01	Segregation of Duties
Finding	The segregation of the record keeping and custody/authorization of transactions is particularly sensitive. According to the Sheriff, due to the limited number of people working in the office, many critical duties are combined and given to the available employees.
Recommendation	We feel segregation could be improved if the department were to implement the following procedure. Once checks are signed they should not be given back to the preparer but instead to an individual that is not involved in preparing checks to seal and mail all disbursements.
Management's Response	Due to the relatively small size of our agency and the duties that are already assigned to each individual, we find this suggestion is impractical.
SAO's Response	Although the Sheriff finds this recommendation impractical, other departments such as Caledonia, Grand Isle, Orleans, and Windham, maintain adequate segregation of duties. Segregation of duties within the accounting function is an important element of internal control. Effective segregation of duties is designed to prevent the possibility that a single person could be responsible for critical functions in such a way that errors or misappropriations could occur and not be detected in a timely manner, in the normal course of business processes. <sup>4</sup> This recommendation should be implemented immediately, particularly given that inadequate segregation of duties

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<sup>4</sup> *Internal Control Standards: A Guide for Managers* (Department of Finance & Management).

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	increases the risk of erroneous or fraudulent transactions. Failure to do so could result in financial misstatements or loss of assets.
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## **Grand Isle County**

Profile            Ray Allen, Sheriff

Grand Isle Sheriff's Department

P.O. Box 168

3677 U.S. Route 2

North Hero, VT 05474

Audit Period: For year ended June 30, 2014

Overview

No control deficiencies, significant deficiencies, or material weaknesses identified.

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## **Lamoille County**

Profile	Roger Marcoux, Sheriff Lamoille County Sheriff's Department P.O. Box 96 162 Commonwealth Avenue Hyde Park, VT 05655 Audit Period: For year ended June 30, 2014
Overview	No control deficiencies, significant deficiencies, or material weaknesses identified.

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## Orange County

Profile            William Bohnyak, Sheriff  
                         Orange County Sheriff's Department  
                         RR 1, Box 30G  
                         11 VT Rt. 113  
                         Chelsea, VT 05038  
                         Audit Period: For year ended June 30, 2013

Overview            Three significant deficiencies identified.

Significant Deficiency 2013-01	Approval of Expenses
Finding	Supporting documentation could not be provided for a number of credit card expenses. There was also one contract that department was unable to provide to support the rates being charged.
Recommendation	We recommend that supporting documentation be maintained in the future for better controls and tracking over the department activity to provide evidence and approval of the financial reporting process.
Management's Response	Management agrees with this finding and will review internal control procedures to determine appropriate changes that should be made.
SAO's Response	Supporting documentation should be maintained for all expenses and contracts. All documentation should be complete, accurate, and recorded timely. Documentation should enable managers to trace each transaction from its inception through its completion. <sup>5</sup> The absence of adequate documentation undermines accountability to the public and increases the risk of improper payments.

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<sup>5</sup> *Internal Control Standards: A Guide for Managers* (Department of Finance & Management).

Significant Deficiency 2013-02	Revenue and Expenses Recognition
Finding	The accrual basis of accounting requires that revenue and expenses be recognized when revenue is earned or becomes realizable and when expenses are incurred. However, revenue and expenses for several services performed and received were recorded to the incorrect fiscal year.
Recommendation	We recommend that management implement procedures to ensure all revenue and expenses be recognized to the proper period and are correctly classified. This should include reviewing invoices to determine that charges are billed for the same period that service was rendered, reviewing invoices to determine if there are prepaid amounts for coverage after year end, and reviewing invoices that are received after year end to ensure they are recorded to the proper period.
Management's Response	Management agrees with this finding and will begin reviewing revenue and expense transactions to ensure proper cutoff.
SAO's Response	This finding has remained uncorrected since 2011. The department should correct this finding immediately. Proper revenue cutoff procedures are the foundation to a strong financial reporting process, without them the department has an increased risk of materially misstating its financial statements. If this finding remains uncorrected it could result in a material weakness in internal controls and a modified audit opinion.

Significant Deficiency 2013-03	Capitalization of Assets
Finding	The department has a policy of capitalizing assets with a useful life of at least one year costing greater than \$1,000. Several expenditures meeting this threshold were expensed, rather than recorded as capital assets. In addition, capital assets that are purchased with grant funds or received through other sources should also be recorded as capital assets with the corresponding revenue recorded, as applicable.
Recommendation	We recommend that the department adhere to their capitalization policy.
Management's Response	Management agrees with this finding and will develop and implement procedures that will enhance what is already being

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	done to recognize capital purchases. Furthermore, management of Orange County Sheriff's department will review and update its "Accounting Policies and Practices" policy to account for currently accepted practices.
SAO's Response	This finding has remained uncorrected since 2011. Strong policies and procedures, such as capitalization policies help to strengthen the department's internal controls and financial reporting. Failure to adhere to the department's capitalization policy could result in misleading and incorrect financial statements.

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## Orleans County

Profile            Kirk J. Martin, Sheriff  
                         Orleans County Sheriff's Department  
                         P.O. Box 355  
                         255 Main Street  
                         Newport, VT 05855  
                         Audit Period: For year ended June 30, 2014

Overview            Four Control Deficiencies identified.

Control Deficiency 2014-01	Vehicles and Equipment
Finding	The department's fixed asset records at June 30, 2014 did not include fully depreciated assets that are still in service, thus understating the value of gross vehicles and equipment and accumulated depreciation. Many small organizations use their depreciation schedule as their fixed asset register as well as a tool to calculate depreciation. In order to do so, however, the schedules must be kept current, and periodic physical inventories must be taken of the fixed assets from the depreciation schedules.
Recommendation	We recommend that the department bring their depreciation schedules current and begin a schedule of periodic inventories.
Management's Response	Management agrees with the recommendations and will bring the depreciation schedule current and will create a schedule of periodic inventories.
SAO's Response	This finding has remained uncorrected since 2011 and should be corrected immediately. Failure to maintain a complete listing of fixed assets not only results in a financial misstatement but may limit the department's ability to adequately plan for its operational needs.

Control Deficiency 2014-02	Payroll
Finding	In accordance with the Uniform Accounting Manual for the County Sheriff Departments, employees should receive their

	pay within 6 days after the end of a payroll period. However, payroll was processed later than this deadline.
Recommendation	We recommend the department change its policy for processing payroll to comply with the State of Vermont.
Management's Response	Management agrees and will research changing its policy on payroll processing.
SAO's Response	This finding has remained uncorrected since 2011 and should be addressed immediately. Providing pay checks within six days after the end of the payroll period is a short turnover time and may lead to processing errors and corrections. The state processes its payroll within 12 days, which allows for adequate time for review and processing.

Control Deficiency 2014-03	Revenue Recognition
Finding	Revenue was recorded when billed instead of when the services were performed. Revenue should be recorded based on when services were performed. A reliable cutoff is critical to the accuracy and reliability of the financial statements.
Recommendation	We suggest that a review be performed by the department's bookkeeper to verify that year-end cutoff is performed during the months following year-end.
Management's Response	Management agrees and our bookkeeper will be instructed to verify the year end-end cutoff is performed during the months following year-end.
SAO's Response	This finding has remained uncorrected since 2011 and should be corrected immediately. Proper revenue cutoff procedures are the foundation to a strong financial reporting process, and without them the department has an increased risk of materially misstating its financial statements. If this finding remains in the next audit it could result in a material weakness in internal controls and a modified audit opinion.

Control Deficiency 2014-04	Approval of Expenses
Finding:	Several invoices were missing required approval signatures.
Recommendation	To maintain sound internal control over disbursements, we recommend that approval of invoices be documented in the future.
Management's Response	Management agrees and will ensure approval of invoices be documented in the future.
SAO's Response	This finding has remained uncorrected since 2011 and should be corrected immediately. Management should clearly document its approval requirements and ensure that employees obtain approvals in all situations where management has decided they are necessary. <sup>6</sup> Without a strong approval and verification process over expenditures, the department runs the risk that certain payments may not be for legitimate business purposes and improper payments could be made.

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<sup>6</sup> *Internal Control Standards: A Guide for Managers* (Department of Finance & Management).

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## **Rutland County**

### **Profile**

Stephen P. Benard, Sheriff

Rutland County Sheriff's Department

P.O. Box 303

88 Grove Street

Rutland, VT 05701

Audit Period: For year ended June 30, 2014

### **Overview**

No control deficiencies, significant deficiencies, or material weaknesses identified.

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## Washington County

Profile            W. Samuel Hill, Sheriff  
Washington County Sheriff's Department  
10 Elm Street  
P.O. Box 678  
Montpelier, VT 05601  
Audit Period: For year ended June 30, 2013

Overview            Two significant deficiencies identified.

Significant Deficiency 2013-01	Segregation of Duties
Finding	To prevent fraud, one of the recommended procedures for proper internal control is to have one person receive the deposits and create deposit slips and someone else record it and take it to the bank. The majority of the tasks are performed by the bookkeeper.
Recommendation	We recommend that management have another person outside of the accounting function open the mail and prepare deposit slips and give them to the bookkeeper to take to the bank. The deposit slips and bank statements should be reviewed by the Sheriff.
Management's Response	Management agrees with this finding and will review internal control procedures to determine appropriate changes that should be made.
Auditor's Response	Effective segregation of duties is designed to prevent the possibility that a single person could be responsible for critical functions in such a way that errors or misappropriations could occur and not be detected in a timely manner, in the normal course of business processes. Although segregation of duties alone will not adequately ensure that only authorized activities occur, inadequate segregation of duties increases the risk that erroneous or fraudulent transactions could be processed. <sup>7</sup> Failure to do so could result in financial misstatements or loss of assets.

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<sup>7</sup> *Internal Control Standards: A Guide for Managers* (Department of Finance & Management).

Significant Deficiency 2013-02	Approval of Timesheets
Finding	The department's policy requires signatures on all timesheets. However, the required signature was missing on several timesheets.
Recommendation	We recommend the department follow this policy to deter and reduce the risk of fraud.
Management's Response	Management agrees that all timesheets should be reviewed and approved prior to payment.
SAO's Response	Management should clearly document its approval requirements and ensure that employees obtain approvals in all situations where management has decided they are necessary. <sup>8</sup> Without a strong approval and verification process over payroll, the department runs the risk that certain payments may not be for legitimate business purposes and improper payments could be made.

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<sup>8</sup> *Internal Control Standards: A Guide for Managers* (Department of Finance & Management).

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## Windham County

Profile            Keith D. Clark, Sheriff  
                         Windham County Sheriff's Department  
                         P.O. Box 266, Route 30  
                         Newfane, VT 05345  
                         Audit Period: For year ended June 30, 2013

Overview            Four significant deficiencies identified.

Significant Deficiency 2013-01	Revenue and Expense Recognition
Finding	The accrual basis of accounting requires that revenue and expenses be recognized when revenue is earned or becomes realizable and when expenses are incurred. Revenue and expenses for several services performed and received were recorded to the wrong fiscal year.
Recommendation	We recommend that management implement procedures to ensure all revenue and expenses be recognized to the proper period. This should include reviewing invoices to determine that charges are billed for the same period the service was rendered, reviewing invoices to determine if there are prepaid amounts for coverage after year end, and reviewing invoices that are received after year end to ensure they are recorded to the proper period.
Management's Response	Management agrees that reporting revenue and expenses to the appropriate time period is prudent and proper. The Windham County Sherriff's Office does attempt to properly account for revenue and expenses. From time to time due to the complexities and variations of the type of services provided there is a need to make journal adjustments in order to document the finances of the agency. Management can only respond to this finding in general as it is not aware of the specifics of the findings of the audit.
SAO's Response	This finding has remained uncorrected since 2011 and should be corrected immediately. Proper revenue and expense cutoff procedures are the foundation to a strong financial reporting process, and without them the department has an increased risk of materially misstating its financial statements. If this finding remains in the next audit it could result in a material

	weakness in internal controls and a modified audit opinion.
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Significant Deficiency 2013-02	Capitalization of Assets
Finding	The department has a policy of capitalizing assets greater than \$1,000. Several disbursements had been recorded as expenses rather than capital assets. In addition, capital assets that are purchased with grant funds or received through other sources should also be considered as a capital asset with the corresponding revenue recorded, as applicable.
Recommendation	We recommend that the department adhere to its capitalization policy
Management's Response	Management agrees with this finding and will develop and implement procedures that will enhance what is already being done to recognize capital purchases. Furthermore, management will review and update its "Accounting Policies and Practices" policy to account for currently accepted practices.
SAO's Response	This finding has remained uncorrected since 2011 and should be corrected immediately. Strong policies and procedures, such as capitalization policies, help to strengthen the department's internal controls and financial reporting. Failure to adhere to the department's capitalization policy could result in misleading and incorrect financial statements.

Significant Deficiency 2013-03	Approval of Invoices
Finding	Some invoices did not have the required signatures indicating authorization and approval.
Recommendation	We recommend the department require signatures indicating authorization and approval to deter and reduce the risk of fraud.
Management's Response	Management agrees that all invoices should be reviewed and approved prior to payment. Management reviews all invoices on a regular and consistent basis. On occasions specific invoices are paid without review. This includes invoices that

	are matched to a pre-approved payment schedule. An example would be lease/loan payments on vehicles. The contract specifies when the payments are due and in what amount. Typically WCSO makes the payments in advance based on the contracted agreement. When the invoice is received the bookkeeper verifies it matches the payment schedule and files it with the appropriate contract and payment.
SAO's Response	Management should clearly document its approval requirements and ensure that employees obtain approvals in all situations where management has decided they are necessary. <sup>9</sup> Without a strong approval and verification process over expenditures, the department runs the risk that certain payments may not be for legitimate business purposes and improper payments could be made.

Significant Deficiency 2013-04	Supporting Documentation
Finding	Supporting documentation could not be located for credit card charges.
Recommendation	We recommend that supporting documentation be maintained in the future for better controls and tracking over the department activity to provide evidence and approval of the financial reporting process.
Management's Response	Management agrees there is a need for supporting documentation for all payables and receivables. Management will review and adjust if necessary its filing system to ensure that all documentation is properly filed and locatable at all times.
SAO's Response	Supporting documentation should be maintained for all expenses and contracts. All documentation should be complete, accurate, and recorded timely. Documentation should enable managers to trace each transaction from its inception through its completion. The absence of adequate documentation undermines accountability to the public and increases the risk of improper payments.

<sup>9</sup> *Internal Control Standards: A Guide for Managers* (Department of Finance & Management).

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## **Windsor County**

### **Profile**

D. Michael Chamberlain, Sheriff

Windsor County Sheriff's Department

P.O. Box 478

62 Pleasant Street

Woodstock, VT 05091

Audit Period: For year ended June 30, 2013

### **Overview**

No control deficiencies, significant deficiencies, or material weaknesses identified.

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## Other Matters Reported by the Auditors

McSoley McCoy performed tests of the sheriffs' departments' compliance with certain provisions of laws, regulations, contracts, and grant agreements. The results of their tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition, the Auditors are required to communicate with those charged with governance on other important audit subject matter including qualitative aspects of accounting practices, difficulties and disagreements encountered during the audit, corrected and uncorrected misstatements, and management consultations with other independent accountants. The Auditors reported no significant findings related to these areas. For all departments, the Auditors reported that all significant transactions have been recognized in the proper periods and the financial statement disclosures were neutral, consistent, and clear. Also, the Auditors encountered no difficulties or disagreements<sup>10</sup> in dealing with management in performing and completing their audits. Although there were some audit adjustments recorded as a result of the audits, the adjustments were not excessive or significant. To the Auditors' knowledge, management did not make any consultations with other independent accountants.<sup>11</sup>

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<sup>10</sup> A disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to the auditors' satisfaction, that could be significant to the financial statements or auditors' report.

<sup>11</sup> In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Departments' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consultant accountant to check with the auditors to determine that the consultant has all the relevant facts.

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## Appendix I

### Scope and Methodology

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The financial statement audits of the fourteen county sheriff departments were conducted in accordance with generally accepted government auditing standards (GAGAS), issued by the comptroller general of the United States. These standards require auditors to plan and perform the audit to obtain sufficient evidence to provide reasonable assurance about whether the financial statements of the various departments are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. An unqualified audit opinion represents the auditor's opinion that all accounting rules were consistently applied and that the department's financial reports fairly portray the financial condition of the department (see Table 1).

In planning and performing the audit, McSoley McCoy considered the sheriffs' departments' internal controls over financial reporting in order to determine its audit procedures for the purpose of expressing their opinion on the financial statements and not to provide an opinion on the effectiveness of the departments' internal control over financial reporting.

As part of obtaining reasonable assurance about whether the departments' financial statements are free from material misstatements, the auditors performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements.