



# Report of the Vermont State Auditor

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April 11, 2006

## WINDHAM COUNTY SHERIFF'S DEPARTMENT

Report of Examination

Period Covered:

February 1, 2003 – February 1,  
2006

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**Randolph D. Brock**  
**Vermont State Auditor**  
**Rpt. No. 06-02**

### **Mission Statement**

The mission of the Auditor's Office is to be a catalyst for good government by promoting reliable and accurate financial reporting as well as promoting economy, efficiency, and effectiveness in state government.

*"There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government."*

**Benjamin Franklin**

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**RANDOLPH D. BROCK  
STATE AUDITOR**



**STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR**

April 11, 2006

Speaker of the House of Representatives Gaye Symington  
President Pro Tempore of the Senate Peter Welch  
Governor James Douglas  
Assistant Judge Trish Hain  
Assistant Judge Mary Ann Clarkson  
Sheriff Sheila Prue

The Vermont State Auditor Office received anonymous allegations regarding the financial operations of the Windham County Sheriff's Department. Due to the nature of the allegations, we conducted an imposed examination of financial transactions of the Department for the period February 1, 2003 to February 1, 2006.

Our initial objective was to determine the validity of the allegations. This objective was expanded to determine the extent of the liability the Department might have to employees and granting authorities, to determine the amount of repayment due the Department from members of management, and to gather sufficient evidence to support those determinations.

This audit was conducted pursuant to the State Auditor's authority as set forth in 24 V.S.A. §290(d) and 32 V.S.A. §163. The report identifies examples of possible fraud, waste and abuse which took place in the Windham County Sheriff's Department and includes recommendations for improvement.

Matters included in this report have been referred to the Attorney General and to the Inspector General of the U.S. Department of Justice for such actions, including possible criminal prosecution, as they deem appropriate.

Sincerely,

A handwritten signature in black ink, appearing to read "Randolph D. Brock".

Randolph D. Brock  
State Auditor

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## Abbreviations

CIS - COPS In Schools  
COPS - Community Oriented Policing Services  
DPS – State of Vermont Department of Public Safety  
Department – Windham County Sheriff’s Department  
GHSP - Governor’s Highway Safety Program  
IRS – Internal Revenue Service  
UAM – Uniform Accounting Manual  
UHP – Universal Hiring Program  
USDOJ – United States Department of Justice  
V.S.A. – Vermont Statutes Annotated  
WCSD – Windham County Sheriff’s Department

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## Introduction

The office of sheriff was created by the Vermont Constitution. The duties of sheriffs generally are set forth in Title 24 Vermont Statutes Annotated (V.S.A.). Sheriffs' departments are governmental entities established by 24 V.S.A. §290. Sheriff's departments are authorized to obtain support through various sources including private and town contracts, county support, state funding and federal and state grants.

The State Auditor's Office began an examination of the Windham County Sheriff's Department (WCSD) after receiving an anonymous letter alleging financial mismanagement, problems with invoices, and problems with employee compensation. Among other activities, we examined the Department's compliance with the Uniform Accounting Manual for Sheriffs' Departments, issued by the State Auditor's Office. This manual was issued in accordance with 24 V.S.A. §290b, which requires sheriffs to adhere to a uniform system of financial controls and procedures. The examination was subsequently expanded to include a wide range of financial transactions and grant-related matters.

We did not undertake an audit of the Department's financial statements. Rather, we performed a selective examination of specific matters raised in the anonymous allegations. In our examination, we sought to answer the following questions:

- Was there misuse of Department assets and, if so, what was the extent and nature of that misuse?
- Were the financial operations of the Windham County Sheriff's Department properly managed?
- Did the Department comply, in all material respects, with the terms and conditions of its state and federal grants?
- Did the Department implement adequate policies, procedures and controls to protect and account for its assets?

Appendix I contains the scope and methodology for the examination.

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# Highlights: Report of the Vermont State Auditor

## Windham County Sheriff's Department: Report of Examination

(April 2006, Rpt. No. 06-02)

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### Objectives and Recommendations

#### Objective:

To establish the veracity of allegations regarding financial improprieties within the Windham County Sheriff's Department.

#### Recommendations:

We made recommendations that the WCSD improve its financial management and reporting practices in order to comply with the UAM and institute a variety of new policies, procedures, and controls to comply with grant and contract requirements. We also recommended the Department seek reimbursement from Sheriff Prue of funds improperly used for transactions of a personal nature. We further recommended the Department determine the level of supported and documented expenses allowed under their contracts and grants and issue amended invoices for those hours accompanied by repayment to contract and grant authorities.

### Findings

During our examination, we identified thousands of dollars of Sheriff Sheila Prue's personal expenses that had been classified inappropriately and paid as expenses of the Sheriff's Department. Examples of these items include:

- Checks written either to "cash" or to the Sheriff without supporting documentation or substantiation.
- Payments of personal travel and meal expenses.
- Monthly discretionary payments initiated by the Sheriff, for her own insurance premiums, telephone and internet expenses, but for which no support was provided.
- Providing Department cell phones for the personal use of the Sheriff's family members.
- Personal use of Department vehicles, with fuel purchased using Department credit cards, by the Sheriff and her domestic partner.
- Undocumented cash advances by the Sheriff from Department credit and debit cards totaling over \$6,500.
- Purchases of groceries, clothing, exercise equipment, household goods, pet supplies, building materials and other items for the personal use of the Sheriff and her family members.

We found serious weaknesses in the Department's financial condition and overall financial management practices. External complaints regarding record keeping received inadequate responses, which contributed to the loss of contracts and their associated revenues. Accounting errors and financial statement misstatements obscured the extent of the Department's losses. Failure to budget and to monitor expenses against a budget likely contributed to late identification of the Department's financial woes. When the current sheriff took office on February 1, 2003, the WCSD had \$384,746 in cash. General ledger cash balances as of February 1, 2006 totaled \$9,561. Contract and grant invoices lack the required support and could not be reconstructed from source documents. The Department may have a potential liability to repay county and federal authorities for unsupported invoices. Lastly, the required biennial audit of the Windham County Sheriff's Department's financial statements is required for the year ending June 30, 2005. Although every other sheriff's department audit required for this period has been completed, the books of the Windham County Sheriff's Department are in no condition to be audited.

We also found that the Sheriff failed to comply with the terms and conditions of federal, county and town contracts and grants, failed to comply with federal and state laws regarding timely payment of wages, and failed to comply with the provisions of the Uniform Accounting Manual (UAM), as required by Vermont law.

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## Background

Windham County, located in the southeastern corner of Vermont, covers an area of 789 square miles and is comprised of 23 towns and 5 villages. Of these, 13 towns or villages had contracts for patrol services with the Windham County Sheriff's Department during the fiscal year ending June 30, 2005. Additional revenue sources for the Department include county support, state and federal grants, private contracts, transport fees, and service fees.

Federal and state contracts and grants generally require the Sheriff to maintain accounting records and retain source documents for several years to support amounts invoiced. To that end, 24 V.S.A. §290b provides that,

“The Auditor of Accounts shall adopt and sheriffs shall comply with a uniform system of accounts, controls, and procedures for the sheriff's departments, which accurately reflects the receipt and disbursement of all funds by the department, the sheriff and all employees of the department.”

Sheriff Sheila Prue was elected on November 5, 2002 and assumed office as the Windham County Sheriff on February 1, 2003.

Transition and biennial audits were conducted at the Windham County Sheriff's Department for the seven month period ending January 31, 2003 and the year ending June 30, 2003, respectively. The latter audit found reportable conditions involving the internal control over financial reporting. In addition, the audit by R. F. Lavigne & Company found a material weakness<sup>1</sup> where cash accounts were not properly reconciled and the office manager was unaware that voiding a check would affect the cash balance as reconciled.

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<sup>1</sup> A material weakness is a condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



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## Unsupported or Personal Financial Transactions by the Sheriff

County sheriffs' salaries are set by statute in 32 V.S.A. §1182. In addition, under 24 V.S.A. §291a, sheriffs are entitled to an administration fee up to 5 percent of certain contracts. We found no statutory authority that would allow a sheriff, as an elected official, to increase his or her compensation over and above that authorized and set in law. However, Sheriff Prue authorized additional compensation for herself and provided additional benefits to herself and her family members on numerous occasions since taking office on February 1, 2003. We note the following:

- February 3, 2003: Sheriff Prue wrote a check payable to cash in the amount of \$1,500. Check number 7255 was issued, signed by Sheriff Prue, co-signed by Captain John Melvin and cashed by Sheriff Prue. Captain Melvin advised auditors that he recalled Sheriff Prue saying the check was to go to be used to establish a Petty Cash account. Melvin stated that Sheriff Prue gave him \$200 to be used as a "reimbursement account," which he still has. Captain Melvin believes Sheriff Prue was not yet a signer on the Department's bank account and could not sign checks. The funds were never accounted for and the amount was recorded as Petty Cash. Sheriff Prue advised auditors that the money was used for various expenses, the details of which she did not recall, and that she did not retain any receipts or documentation of those expenses.
- March 20, 2003: After taking office in February 2003, Sheriff Prue, a state employee, was enrolled in a state-sponsored medical insurance plan, under which she was responsible for paying a portion of the premium through payroll deduction. On March 20, 2003, a handwritten check number 7613 was drawn in the amount of \$235.93 and then signed and cashed by Sheriff Prue on the same date. The check was recorded in QuickBooks, the department's accounting system, as a health insurance reimbursement. QuickBooks transaction details show payments recorded as health insurance reimbursements continued to be made to Sheriff Prue at least once each month. The payment amount changed to \$234 on May 16, 2003. Two payments were made to the Sheriff for health insurance in the months of April 2004, April 2005 and September 2005. Total payments to the Sheriff for her health insurance from March 20, 2003 through January 20, 2006 were \$8,896. Auditors note that Sheriff Prue continued to receive checks to reimburse what she stated was her portion of the health insurance premium during state health insurance

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rate holidays.<sup>2</sup> The Sheriff told the auditors on February 3, 2006 that the amount of the insurance reimbursements she received included payment for prescriptions she requires, but provided no supporting documentation for the amounts.

- March 27, 2003: Sheriff Prue began receiving reimbursement of home telephone and internet charges. The first quarter's payment for home telephone and internet was \$274, paid by a hand-written check number 7615. Beginning on May 9, 2003, this amount became a monthly reimbursement amount processed through QuickBooks. Two payments were made to the Sheriff for home communications in the months of April 2005 and September 2005. Total payments for home communications from March 27, 2003 through January 20, 2006 were \$10,138. Amounts paid to Sheriff Prue appear to exceed the customary reimbursements for communications expenses to other employees in the WCSD and to exceed usual, customary and reasonable expenses. Of the seven other employees who received home communications reimbursements from the WCSD, the highest monthly reimbursement rate was \$38 per month. Auditors confirmed Sheriff Prue's internet carrier is Adelphia and determined that, as of early 2006, normal and customary high speed internet charges were between \$45.95 and \$49.50 per month for this carrier.
- March 27, 2003: Sheriff Prue began making payments of \$3,200 to herself using handwritten checks. Payments occurred approximately every other week. These checks were coded in QuickBooks as payments towards the 5 percent contract administration fee to which the Sheriff was entitled. However, the amounts advanced to the Sheriff exceeded the 5 percent maximum contract administration compensation allowed to the Sheriff. The biennial financial statement audit identified these overpayments as of June 30, 2003, which the Sheriff subsequently repaid.
- June 11, 2004: Sheriff Prue requested the Office Manager to issue a check payable to the Sheriff in the amount of \$1,000. The check was issued, signed by Sheriff Prue alone and cashed by Sheriff Prue. Documented support was never given for the funds and the amount

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<sup>2</sup> Eight state employee rate holidays were declared between February 1, 2003 and February 1, 2006. During these rate holidays, state employees did not make contributions toward their health insurance premiums.

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was booked by the Office Manager to training per Sheriff Prue's instructions. On December 19, 2005, in response to additional inquiries made by the Auditor of Accounts, Sheriff Prue's attorney Bettina Buehler wrote, "Sheriff Prue is willing to assume sole responsibility for the expenditures associated with this (training) trip absent any admissions of guilt on her part for any inappropriate expenditures. Sheriff Prue will be making arrangements to tender an additional \$1,000.00 toward the outstanding monies due in the near future..."

- Sheriff Prue was reimbursed \$625.53 for uniform expenses for which she provided receipts. In addition, Sheriff Prue claimed \$2,058.52 of credit and debit card transactions as a "clothing allowance." Some of the clothing did not appear to be related to her duties as a police officer. Rather, they appeared to be civilian clothing. Audit work determined some of the items purchased included an athletic supporter, petite chinos and lace hipster underwear inconsistent with the gender, size and nature of the Sheriff's uniform requirements.

We found no documentation in the Department's records to support the communications and insurance reimbursements to the Sheriff. Although we requested such documentation, none was provided. After accepting service of our subpoena to produce supporting documentation in January 2006, Sheriff Prue provided the auditors hand-written, sequentially numbered purchase orders with dates ranging from June 2003 to December 2005 (including two purchase orders for October 2003). On February 3, 2006, Sheriff Prue showed auditors the purchase order book that was used to create the purchase orders. No other purchase orders from that book had been used at that time.

We found no basis in law for a sheriff to increase his or her compensation and benefits as described above. Internal Revenue Service (IRS) Publication 15-B specifies, "Any fringe benefit you provide is taxable and must be included in the recipient's pay unless the law specifically excludes it." We have identified additional checks written to Sheriff Prue for health insurance and telephone reimbursements during the period from February 1, 2003 through January 20, 2006 totaling \$19,034. The additional compensation and benefits were not evidenced by reports from the Department on either IRS forms W-2 or 1099 during the period from February 1, 2003 through December 31, 2005, and, therefore, were presumably not reported to either the IRS or the Vermont Department of Taxes as part of Sheriff Prue's taxable income.

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## Personal Use of Department Credit Accounts

The Windham County Sheriff's Department maintains credit and charge accounts with a variety of vendors including six gasoline companies, three credit card accounts, a Wal-Mart charge account, and various other store charge accounts. Internal control procedures concerning employee use of these accounts are not written and several instances of employees' personal use of Department credit cards were noted during the course of the examination. Due to the disorganized and incomplete condition of record keeping within the Department, we were not able to identify the specific individual who made each charge, particularly for gasoline charges.

Since Sheriff Prue assumed office on February 1, 2003, the Department paid \$19,332 for unsupported or personal purchases and cash withdrawals made on the Department's credit, debit and gas charge accounts. These charges included purchases of groceries, clothing, a banjo, exercise equipment, household goods, pet supplies, building materials and other items for the personal use of the Sheriff and her family members. The Sheriff and her family members also charged travel expenses to the WCSD for trips to Florida, Oregon and South Carolina without substantiation of a business purpose.

We presented a list of the transactions in question to Sheriff Prue and obtained her agreement by writing her initials beside charges she acknowledged were her own personal charges. These transactions are summarized in Appendix II along with other transactions identified as "personal" in other written material. The WCSD does not have a policy to retain receipts for business purchases. Therefore, the transaction list was constructed from WCSD credit and debit card transactions reflected on credit card and bank statements. Transactions were selected for inclusion based on apparent inconsistency with the business purposes of a sheriff's department. In the course of our examination, Sheriff Prue identified and explained many of the questioned charges. Explained charges were removed from the transaction list unless they related to clothing "allowance," cash advances or transactions where various explanations or audit work proved contradictory. All charges notated "gas" were allowed as valid charges as were all charges at Staples. Unless verified as bona fide business charges by the auditor, Wal-Mart charges were included as questioned transactions due to the frequency of claimed and apparent personal charges at that vendor. The transaction list omits a significant number of charges based on Sheriff Prue's unsupported assertions that they represent proper expenses.

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## Department Vehicles Used by Sheriff's Domestic Partner

Neither the Sheriff nor her domestic partner owns a personal motor vehicle. On September 30, 2003, the Department purchased a 2003 Ford Explorer for the Sheriff's use on Departmental business. The Sheriff prepared a listing of gasoline charges that she identified as personal in nature. These charges totaled \$242, which amounts to \$12.10 per month for the period from November 2003 through June 2005. The Department does not have a written policy regarding employees' use of Department vehicles for personal purposes. Interviews with employees indicated that prior practice in the Department was that personal use of Departmental vehicles was not allowed.

In addition, Sheriff Prue provided a 2001 Ford Windstar van belonging to the Windham County Sheriff's Department for the use of her domestic partner during the period from February 2003 through February 2006. Sheriff Prue stated that the partner was sworn in as a deputy sheriff and assisted the Sheriff on a voluntary basis as a communications director for the WCSD. However, our examination showed that the partner was not listed as an employee of the department and had received no documented training as a deputy sheriff. Title 24 V.S.A. § 311 provides that no person may receive an appointment as a deputy sheriff unless that person has been awarded a certificate by the executive director of the criminal justice training council attesting to satisfactory completion of an approved basic training program, except as provided in section 307(b) of that title. The latter provides that a sheriff may appoint persons as deputy sheriffs to serve civil process. We found no evidence that Sheriff Prue's domestic partner was employed to serve civil process.

The Department's 2001 Ford Windstar van was used by the Sheriff's partner, by her own admission, for her personal and professional local transportation needs and for those of their children.

IRS Publication 15-B provides the Annual Lease Value Table which we used to calculate the value of use, maintenance and insurance costs attributable to the vehicle. Using the retail value of the vehicle from the February 2003 N.A.D.A. *Official Used Car Guide*, we estimate the imputed lease value for this vehicle to be:

<u>Period of Use</u>	<u>IRS Annual Lease Value</u>	<u>Total Lease Value</u>
Feb 1, 2003-Jan 31, 2006	\$4,350	\$13,050

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As discussed earlier, benefits provided to either employees or their family members are taxable. However, the value of the van provided for the use of Sheriff Prue's partner was not reported by the Department as taxable income to Sheriff Prue or her partner.

In September 2005, the Sheriff's domestic partner stated under oath that she used a Department vehicle and Department gasoline cards for personal use. She was also listed as an insured person on the Department's automobile insurance policy. Based on average usage of 10,000 miles per year<sup>3</sup>, average gasoline costs of \$2.02 per gallon<sup>4</sup> and 22 average miles per gallon<sup>5</sup>, we estimate personal gas cost charged to the Department of \$2,755. Total compensation provided to the Sheriff's partner by her use of the Department's vehicle and gasoline charge cards is estimated at \$15,805.

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### Cell Phones for Domestic Partner and Their Child

Sheriff Prue established two new cellular phone accounts in her name on the account of the Windham County Sheriff's Department. Sheriff Prue provided cellular telephones to her domestic partner and their daughter during the period from February 2005 to February 2006. During that period, Sheriff Prue's partner and child amassed cell phone charges of \$4,679.46 on the WCSD account. These charges are summarized in Appendix III. Sheriff Prue explained that she provided the phones for her family members for their protection after an unidentified person was seen photographing their home. Sheriff Prue further stated that the phones were for emergency use. According to the carrier invoices, the phones were used for a total of over 7,000 minutes during the first six month period, indicating their usage was not strictly for emergencies. In sworn testimony, the Sheriff's partner admitted the cell phones were used for personal reasons by herself and their child.

Cell phone invoices were date stamped and given to Sheriff Prue for her approval in accordance with the stated accounts payable practice. However, Sheriff Prue did not approve and code invoices and submit them to the Office Manager for payment in a timely manner. On October 31, 2005, the Office

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<sup>3</sup> National Highway Transportation Safety Administration, 2004 Statistics, Early Edition.

<sup>4</sup> Energy Information Administration website:  
[http://www.eia.doe.gov/oil\\_gas/petroleum/data\\_publications/wrgrp/mogas\\_home\\_page.html](http://www.eia.doe.gov/oil_gas/petroleum/data_publications/wrgrp/mogas_home_page.html).

<sup>5</sup> <http://cars.kbb.com/carsapp/national/?srv=parser&act=display&tf=/features/2001overview/ford/windstar.tmpl>.

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Manager told us that she did not have the applicable cell phone invoices subsequent to June 2005. She explained that the Sheriff said that she was trying to get the bills corrected before submitting them for payment.<sup>6</sup> On December 16, 2005, auditors learned that the cell phone account had been placed with a collections agency by the cellular service provider. However, the Office Manager claimed that she still had not been given cell phone invoices. According to the Office Manager, on the Sheriff's instructions, the Office Manager paid the overdue amount by phone and paid the next payment by credit card without itemized cell phone invoices to support the payments.

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### Sheriff Repaid Part of the Unsupported or Personal Transactions

In total, we identified \$61,776 in unsupported or personal financial transactions by the Sheriff. These transactions are summarized in Appendix IV. Despite the fact that questioned charges extend back to early 2003, Sheriff Prue had repaid just \$640 of this amount prior to commencement of this examination. After auditors raised questions about certain expenses, the Sheriff repaid an additional \$6,006 in November 2005, bringing the total repayment to \$6,646.

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### Use of Unpaid Sheriff's Deputies for Work on Sheriff's Home

Extensive renovations on the Sheriff's home were made by three Deputy Sheriffs in early and mid-2004. These renovations included extending the length of her garage and constructing a second floor above the garage. Materials purchased included windows, sliding glass doors, plumbing supplies, tile and electrical outlets. Although allegations were made that this work was performed while the deputies were being paid by the department, our examination found no evidence of that. Where we were able to obtain documentation of dates on which construction work was done, we were able to establish that one deputy was not on duty on the dates in question. The other deputies advised that all work was done on their days off. One of the deputies claimed that, despite presenting a bill to the Sheriff for \$1,810, he was never paid. Certain of the materials used in the home renovation were purchased from Home Depot according to the deputies who performed the work. Home Depot charges, some of which occurred during the period of the

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<sup>6</sup> Shippee fax to Auditors dated October 31, 2005.

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renovations, totaling \$1,220.86, were paid for by the Department. After auditors questioned these payments, detailed in Appendix II, they were subsequently acknowledged to be personal expenses by the Sheriff.

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## Inconsistent or False Explanations of Credit and Debit Charges

During the course of our examination, we requested explanations, documentation and support for transactions charged on Department credit and debit cards from the Office Manager and the Sheriff directly. We examined handwritten notes on credit card statements, the general ledger account codes used, the Sheriff's written explanation of charges on September 9, 2005, and any documentation in the Department's files to support credit and debit charges made. We also took into account those charges that Sheriff Prue acknowledged as personal on February 3, 2006.

Almost half of all of the credit card statements were missing from the files. Of the statements retained in the files, we found few receipts or documentation to support charges made. In particular, none of the \$6,607 in cash advances withdrawn by the Sheriff was supported by receipts or any other documentation as to the items purchased or the business purpose of the cash advances. Similarly, we found no entries in the Department's financial system indicating the return of Sheriff Prue's unspent cash advances as would be expected.<sup>7</sup>

On four occasions, we requested from the Sheriff explanations and documentation supporting the credit and debit card transactions.<sup>8</sup> The Sheriff was unable to produce a single receipt evidencing the business use for cash she received from the Department. Nor was the Sheriff able to provide sufficient details regarding the transactions to enable verification of the charges. In many cases the explanations provided by the Sheriff contradicted her prior assertions regarding the business purpose of the charges. Examples of the contradictions follow.

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<sup>7</sup> Documentation was found for one of the deputies who returned unspent cash withdrawn for an extradition.

<sup>8</sup> August 31, 2005 Gorman letter to Prue; December 2, 2005 interview under oath; November 2005 subpoena to Prue; and February 3, 2006 Sullivan meeting with Prue.



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- Regarding the October 26, 2004 cash advance of \$200, the hand-written memo on the credit card statement lists “Hotel & Training for grants.” The Sheriff stated in writing that the cash advance was a “clothing allowance.”
  - Similarly, regarding the October 27, 2004 cash advance of \$301.50, the hand-written memo on the credit card statement lists “Hotel & Training for grants.” The Sheriff stated in writing that the cash advance was a “clothing allowance.”
  - Regarding the October 28, 2004 cash advance of \$41.75, the hand-written memo on the credit card statement lists “Food for training.” The Sheriff stated in writing that the cash advance was a “clothing allowance.”
  - Regarding the October 29, 2004 cash advance of \$50, the hand-written memo on the credit card statement lists “Food for training.” The Sheriff stated in writing that the cash advance was a “clothing allowance.”
  - Regarding the October 31, 2004 cash advances of \$150, the hand-written memo on the credit card statement lists “Food for training.” The Sheriff stated in writing that the cash advance was a “clothing allowance.”
  - Regarding the November 5, 2004 cash advance of \$250, the transaction was recorded in QuickBooks as “Office Supplies/Expense.” The Sheriff stated in writing that the cash advance was a “clothing allowance.”
  - On March 23, 2005, Sheriff Prue charged anti-wrinkle cream, 10 cotton bikini underwear, and two brassieres on the WCSD Wal-Mart charge account in addition to \$20.46 of office type expenses. Handwritten coding instructions on the charge card statement show \$38.57 for “vehicle” and \$30.00 for “office” for the same charge.
  - Regarding the April 25, 2005 cash advance of \$40, the transaction was recorded in QuickBooks as “Uniforms.” The Sheriff stated in writing that the cash advance was for lunch with a vendor.
  - Regarding the April 27, 2005 cash advance of \$60, the transaction was recorded in QuickBooks as “Travel expense – Car mileage.” The

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Sheriff stated in writing that the cash advance was for “Meals for trip to VPA with Sergeant.”

- Credit card charges for Ada’s Natural Foods, CVS Pharmacy, Wal-Mart and Publix totaling \$222.87 related to expenses which occurred during the period from June 3 through June 5, 2005 in Fort Myers, Florida. The hand-written notes on the credit card statements indicated the charges were for “Training & bus. trip expense.” Sheriff Prue wrote that the charges were for “food” or “something needed for training.” However, training in Orlando ended two days prior to the charges in Ft. Myers. Auditor notes that Fort Myers is 200 miles **south** of Orlando, Florida. Therefore, the charges could not have been related either to the training or to a return trip home to Vermont.
- On May 17, 2005, Sheriff Prue charged \$29.93 at Borders Books in Keene, NH. Sheriff Prue wrote that the charge was for “supplies for the drug/alcohol program.” Auditor requested a copy of the receipt which shows the charge was for *Catholicism for Dummies*, a pocket-sized book of Psalms and a Bookmark.
- On May 30, 2005, Sheriff Prue charged a stay in the Quality Inn in Woodbridge, Virginia to the WCSD. Sheriff Prue wrote that the charge was for “lodging for training.” The hotel receipt included a \$20 charge for pet lodging.

The Sheriff’s failure to produce documents requested, even under subpoena, and her failure to answer questions regarding the business contacts with whom she dined and traveled constrained our investigation of questioned charges. For example, when the Sheriff was questioned about her travel and expense to the Portland, Oregon area in August of 2005, she stated only that she traveled to explore voice stress lie detection technology that she said she was interested in introducing for her department. Since voice stress lie detection has been banned by statute in Vermont for more than 25 years, auditors requested additional documentation of the business purpose or meetings attended. Sheriff Prue refused to disclose with whom she met or the locations of her meetings. We requested in our subpoena:

“All documents which support your claim that the August, 2005 trip to Portland, Oregon was for a business purpose, including documents indicating the identity of persons with whom you met, the business purpose of the travel, and when and where the meeting took place.”

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However, no documents responsive to that request were returned in response. The sole documentation she produced were generic articles regarding the technology, none of which were relevant to any purported meetings. While such meetings may have taken place, Sheriff Prue has refused to provide auditors with any substantiation. It should be noted that she was accompanied (not at Department expense) on the trip by her [partner's] daughter, and the daughter's cell phone records reflect a series of calls to personal friends in the Portland area in the days leading up to the trip.

Without supporting documents, we are unable to determine which, if any, of the Sheriff's explanations are accurate. We obtained information from the Sheriff and directly from individual vendors regarding many of the transactions. Transaction information is presented in Appendix II.

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## Financial Management Deficient

Management of any entity is responsible for establishing and maintaining an effective system of internal control to help ensure that all assets can be accounted for and safeguarded against waste, loss, unauthorized use and misappropriation; that revenues and expenditures are recorded properly so that reliable financial reports may be prepared; that transactions are clearly documented; and, that documentation is available for examination.

We found that the Windham County Sheriff's Department's internal controls were not designed to provide reasonable assurance that resources were applied economically and efficiently; expended in accordance with applicable laws, regulations, contracts and grants; and were necessary and reasonable. We found the Windham County Sheriff's Department did not identify or vigorously respond to what should have been clear indicators of financial distress. Examples where additional financial management was needed include: the failure to respond to declining revenues, undetected material financial statement misstatements, failure to develop a budget or monitor expenses, and wasteful communications contractor expenses.

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### Failure to Respond to Declining Revenues

Contract revenues for the Windham County Sheriff's Department declined from \$709,416 for the six months ended June 30, 2003 to \$192,492 for the six months ended June 30, 2005. Contracts with Saxtons River, Newfane, Townshend, and Grafton were either reduced or not renewed.

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It has been reported in the media that several individual towns and one village raised questions about the patrol services being provided under their contracts with the Windham County Sheriff's Department. Saxtons River Village Trustee Louise Luring stated the Department was not supplying details to the village concerning responses to calls. In particular, the village trustees wanted to know details of officers' time spent in the village and a description of the resolution of the incidents. "We didn't like the reporting system," Ms. Luring reported. Newfane Selectboard Vice Chairman, Gary Katz said, "Without adequate reporting, we can't tell what the Department is doing for us."<sup>9</sup> Townshend Selectboard Chairman, Kit Martin, said, "The problem is that we didn't know what we were getting billed for."<sup>10</sup>

The lost contracts contributed to a greater than 50 percent reduction in annual contract revenue from calendar year 2003 to calendar year 2005. Sheriff Prue stated that her response to this lost revenue was to try to retain all the officers, "I'm too nice, that's part of my problem. I didn't lay off or fire anybody when we lost those two major contracts, and probably I should have."<sup>11</sup> "I allowed the towns to go over budget and not pay for it," she said<sup>12</sup>. Auditors found no evidence that Sheriff Prue took actions in response to declining revenues prior to the State Auditor's Office examination.

On November 9, 2005, Prue publicly stated she reduced five deputies' schedules to 32 hours per week,<sup>13</sup> noting, "This way, nobody loses their job and they continue to get their benefits. It could be a lot worse, a lot worse. They're lucky they have jobs in this economy." On December 9, 2005, Sheriff Prue stated that all full-time deputies whose hours had been reduced were back up to 40 hours per week.<sup>14</sup> Although total deputies' salaries decreased by 20 percent from October 28, 2005 to November 25, 2005, the actions were insufficient to address the level of declining revenues. Failure to respond adequately to declining revenues with expense reductions created

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<sup>9</sup> "Records at center of audit," **Brattleboro Reformer**, October 8, 2005.

<sup>10</sup> *ibid*

<sup>11</sup> *ibid*

<sup>12</sup> "Sheriff reduces deputy patrols," **Rutland Herald**, November 8, 2005.

<sup>13</sup> *ibid*

<sup>14</sup> *ibid*

<sup>15</sup> "Sheriff Asks Court to Pick Up Some Costs," **Brattleboro Reformer**, December 9, 2005.

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a rapid drain on the Department's financial reserves. Cash balances in the general ledger declined from \$384,746 on February 1, 2003 to a negative cash book balance of \$36,595 on November 1, 2005. As of February 1, 2006, the Department's cash account in the general ledger showed a positive balance of \$9,561.

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## Financial Statement Misstatements

Financial statement misstatements and accounting errors in the period from July 1, 2003 through November 30, 2005 obscured the true financial position of the Department. For example, depreciation expense has not been booked since June 30, 2004. The Department did not record payroll liabilities for unpaid overtime to employees. The effects of the financial statement misstatements and accounting errors were to overstate assets, understate expenses and erroneously bolster the bottom line by more than \$200,000 while the Department's cash accounts were not only depleted, but showed a negative balance on November 1, 2005.

At the same time, insufficient cash flow prevented the Department from making vendor payments in a timely manner. Several charge account statements contain late fees and interest charges. A cell phone account was sent to a collections agency for nonpayment. Grant reimbursement invoices were manipulated to minimize cash outlays. For example, check number 13647 was written on October 21, 2005 to Crystal Clear Communications in the amount of \$38,011.80 for the purchase of homeland security equipment. This check was held by the Office Manager in her desk drawer until December 23, 2005. When auditors asked the Office Manager why she held the check in her drawer, the Office Manager stated that there was not enough money to pay the vendor until the Department of Public Safety (DPS) paid the WCSD.

However, the Homeland Security grant award from DPS to WCSD specified the grant was a reimbursement grant. DPS informed WCSD of the reimbursement procedure which required WCSD to submit an invoice along with proof of the vendor payment to obtain grant funds. WCSD sent a copy of the check written to Crystal Clear Communications as proof of payment even though the Office Manager stated she intended to keep the check until DPS paid the WCSD invoice. The Homeland Security Unit of DPS stamped the invoice as received on October 24, 2005. On February 3, 2006, the Office Manager commented that she mailed the check to Crystal Clear Communications the day she received and deposited the DPS grant reimbursement check on December 22, 2005. The check cleared the bank on December 29, 2005.

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When auditors inquired about the past due payments to Homeland Security grant vendors, Sheriff Prue stated that she did not know that vendor payments had been held after checks were signed. The Office Manager described Prue as having withheld certain invoices from the payment process. This could indicate that either the Sheriff was not diligent in her responsibility to approve and code invoices in a timely manner or that she may have known of the deteriorating financial condition of the Department.

Extracting complete vendor information from QuickBooks is difficult given the Department's fragmented information. For example, the Office Manager was found to have received payments under three different vendor accounts in the system; one as an employee with a middle initial but no punctuation, one as a vendor with a middle initial and punctuation, and one as an "other" type with no middle initial. Other individuals were paid under multiple vendor accounts as well, by adding characters, punctuation or middle initials to the name entered in QuickBooks. Using multiple vendor accounts and account descriptions obscures the level of payments made to employees and contractors. Unique identification of entities receiving payment is necessary to ensure invoices are not paid twice and to prepare accurate tax forms such as W-2s and 1099s.

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### Failure to Develop a Budget or Monitor Expenses

Budgeting is a foundation for financial monitoring; it sets the benchmark against which to measure financial performance. Sheriff Prue stated that the Department functioned on a cash basis without a budget for the entire period from February 1, 2003 to December 31, 2005. Even though the county approved a budget for its support of the Department and the Governor's Highway Safety program approved a budget for its grants, the Department failed to produce a budget for its activities as a whole. No evidence of financial review or oversight was provided during our examination. Without a budget, there was no mechanism for the Sheriff to plan and control the Department's revenues and costs.

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### Wasteful Communications Contractor Expenses

24 V.S.A. §291a(e) sets forth a requirement for the Department to establish and follow written contract procedures for purchases. As of November 2, 2005, no such procedures existed. As a result, contractors could be utilized and paid without a formal contract. For example, when the Sheriff assumed office in February 2003 the Department was using a particular communications vendor. When questioned about the contract for this vendor, Sheriff Prue stated, "Upon looking for a contract I found that one does not

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exist.”<sup>16</sup> The Department paid this vendor a total of \$204,123 from October 2002 to December 13, 2005 for various services.

Invoices submitted by the vendor appear to have been reproduced on a copier and listed activities in addition to communications work, such as “worked on new WCSD project,” “replaced bulbs in barn,” “cleaned up front porch garbage construction materials,” “started 54 FORD, ran for 10 minutes, cleaned and removed trash from inside of vehicle.” Based on the wages paid to the Department’s custodian of \$13.91 per hour, using a contractor at \$37 per hour to perform maintenance tasks, like the ones listed above, appears excessive and wasteful.

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### Violation of Federal and State Employment Statutes

The WCSD has failed to pay its employees overtime as generally required by both federal and state law. The Fair Labor Standards Act<sup>17</sup> requires employers to pay all earned overtime on the regular pay day for the period in which the workweek ends. Title 21 V.S.A. §342 generally requires employers to pay all hours worked within six days of the end of the pay period.<sup>18</sup> According to the Department’s payroll contractor, the WCSD follows a practice of withholding from the pay of those Deputy Sheriffs working on Governor’s Highway Safety Program (GHSP) grants overtime pay in excess of 10 hours per pay period per employee until the WCSD receives reimbursement from the contract or grant. The Department appears to be in violation of the Fair Labor Standards Act by withholding pay from its employees. According to the Office Manager, the Sheriff directed that these wages be withheld because the grantor was slow to pay and the Department had insufficient cash to fund the overtime payments.

Officers who worked on these grants were told that all hours they worked on GHSP grants would be paid at overtime rates which were equal to 150 percent of their regular pay. GHSP grants are administered through the Department of Public Safety (DPS). Auditors questioned the DPS grant administrator for the GHSP grants about the practice of paying for all hours worked on GHSP grants at overtime rates. The grant administrator stated that as long as the officers were actually receiving the overtime pay they saw no

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<sup>16</sup> Sheriff Prue letter to Thomas Gorman dated September 9, 2005.

<sup>17</sup> 29 CFR 553.

<sup>18</sup> 21 V.S.A. §342.

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problem with paying a premium to motivate officers to work on their program. There is no indication that this grant-funded policing would not have been performed had it been paid at regular hourly rates. In addition, officers did not receive all of their earned overtime pay until the hours were invoiced to and paid by the GHSP.

Officers were told that their “excess” overtime would be paid when the Department received the grant reimbursement from the GHSP. Therefore, each full-time officer working on GHSP grants received their regular check for 80 hours at their regular rate plus up to 10 hours of overtime pay. The additional overtime premium of 50 percent of officers’ regular pay plus overtime pay for any hours worked over 80 was withheld until after the WCSO received the GHSP grant payment. The payroll contractor maintained a list of overtime payments due to officers and updated it each pay period, but the liability for unpaid overtime was never entered into the financial accounting software which resulted in an unrecorded liability in the financial statements of the Department.

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## Required Financial Statement Audit Not Performed

The biennial audit of the Windham County Sheriff’s Department’s financial statements is statutorily required for the period ending June 30, 2005. Although all the other sheriff’s departments’ audits required for this period have been completed, the books of the Windham County Sheriff’s Department are in no condition to be audited. Until such time as the books are in order and the audit completed, financial statements prepared by the Sheriff’s Department cannot be relied upon.

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## Other Issues

Other examples of deficient financial management include the absence of controls on expenditures for gasoline and dry cleaning.

- Auditors observed dozens of gasoline charge cards stored in an unlocked file cabinet in the Captain’s office. According to Sheriff Prue and Lieutenant Sherwood Lake, all deputies and two contractors were provided with several gas cards for their use. Until the beginning of the examination, no records were maintained regarding which card numbers were issued, names of individuals who received cards, gas purchases made by each individual or the business purpose of those charges. Because gasoline charges were also made with cash advances, debit cards and credit cards in addition to gasoline charge accounts, we could



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not accurately determine the level of fuel usage by the department or whether or not the use was reasonable.

- Similarly, dry cleaning expenses charged to the WCSD included items that appeared inconsistent with uniform items. For example, in Sheriff Prue's individual dry cleaning account, we found items that appeared personal in nature such as a yellow hooded sweater, a pink sleeveless pullover, and a zip front black, red and white sweater. Because we did not examine a sufficiently large sample of dry cleaning expenses on an item-by-item basis, we are unable to calculate the value of personal dry cleaning paid by the Department.

Moreover, the state of financial disarray as well as the allegations of spending improprieties strongly indicates that the Department's current management cannot be relied upon to complete the needed overhaul of its financial operations without strong and independent oversight. Such oversight could be provided by a financial receiver who could oversee the day-to-day financial operations as well as provide needed training and help the Department develop and implement policies and procedures in such vital areas as budgeting and financial management policies and procedures.

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## Contract and Grant Invoices Lack Support

The Windham County Sheriff's Department did not adhere to important terms and conditions of grant and contract agreements. The Department did not keep adequate records that supported the number of hours worked on each contract or grant agreement. As a result, it appeared that grant agreements were billed for more hours than were actually worked.

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### Contracts

The Court Administrator's office contracts with the Sheriff's Department for two deputies to serve as court officers. These agreements include a budget for the Department detailing line items of the contracted officers' pay. These line items include health insurance and 40 hours of work for each of 52 weeks at a specific hourly rate. Since the court is closed for state and federal holidays and the contract was for a full year, the court administrator's expectation was that the officer would be paid holiday pay. But court officers did not receive health insurance, holiday pay, and, in two cases, the contracted rate. The WCSD prepared invoices that corresponded to the payment schedule in the contract, which specifically included line items for health insurance and personal days and provided details of hours worked in

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each court. The Windham County Court paid these invoices as submitted and followed up with a review.

On November 10, 2005, Edward Polk, Court Security Specialist, issued a letter based on his review. Polk retroactively reduced the court contracts with the WCSD by more than \$20,000. Polk reasoned that officers who worked in the courts did not receive health insurance from the WCSD, and, therefore, the WCSD should not have been paid by the court for the budgeted health insurance. In his letter, Polk also stated the current officers should be paid for all state holidays that occurred or will occur in the current contract term and encouraged the Sheriff to determine if any retroactive payment of holiday pay is due to officers from prior contracts. As of November 30, 2005, the holiday payments due to officers had not been determined or recorded as a liability by the Department.

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## Grants

Similar errors occurred in the Windham County Sheriff's Department's invoices of their Community Oriented Policing Services (COPS) grants awarded by the United States Department of Justice (USDOJ). The WCSD was awarded \$900,000 in USDOJ COPS grants between August 1, 2002 and Sept. 1, 2004. These funds were awarded through two programs offered by the USDOJ Office of Community Oriented Policing Services.

- August 1, 2002: \$75,000 over 3 years through a COPS Universal Hiring Program (UHP) grant for one additional full-time officer.
- September 1, 2003: \$450,000 over 3 years through a COPS UHP grant for 6 additional full-time officers.
- September 1, 2004: \$375,000 over 3 years through a COPS In Schools Grant (CIS) for 3 new additional full time School Resource Officers

In September 2005, we informed the Office Manager inconsistencies between the invoices and the terms of the UHP grants. On October 12, 2005, the Office Manager issued a correcting invoice and repaid the Department of Justice \$21,520 for "calculation errors." Since there were known problems with the financial aspects of these grants, we inquired about WCSD's payroll process and the documentation used to calculate amounts invoiced to COPS grants and found several problems.

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## COPS In Schools Program (CIS)

The USDOJ COPS In Schools Grant Owner's Manual states that the purpose of these grants is to "provide funding directly to local, state and tribal jurisdictions for the hiring and deployment of new, additional, career law enforcement officer position(s) in and around primary and secondary schools." The Community Policing condition of this grant states that officer positions deployed as a result of receiving this grant must spend a minimum of 75 percent of their time in and around schools working on youth-related activities. To meet this condition the COPS In Schools Grant Owner's Manual notes that the grantee should document the amount of time the school resource officer spends in school to ensure that the 75 percent requirement is being met. Additionally, the grantee is required to maintain accounting systems and financial records to accurately account for the funds awarded to demonstrate that the funds are spent according to grant conditions and to provide the necessary information for periodic review and audit. Specifically, these records should contain information showing expenditures under the grant and must be supported by items such as payrolls and time and attendance records. Although auditors requested all payroll and invoice records, no documentation of officers' time spent in schools was found.

COPS In Schools grants also require each officer and one designated school administrator attend COPS-sponsored training. Departments are encouraged to attend the training in the early stages of the grant. However, only one of the four officers invoiced to the CIS grant has attended the required training as of February 1, 2006.

## Universal Hiring Program (UHP)

The USDOJ COPS Grant Monitoring Standards and Guidelines for Hiring and Redeployment states that the purpose of these grants is to "directly serve the needs of state and local law enforcement in their efforts to address local crime and disorder through the use of proven community policing strategies" This is accomplished by providing federal funding to assist departments in hiring additional police officers or deputies at entry-level salaries to develop an infrastructure that would sustain community policing. Grant terms specifically stated that these positions had to be newly hired or rehired positions that could not supplant local or state funds which otherwise would be spent on law enforcement purposes in the absence of the COPS grants. UHP grants require a local match of at least 25 percent. We noted several areas where WCSD may not have complied with the requirements or guidelines of these grants.

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- Retention: The Department has an obligation to locally fund all seven positions for an additional budget cycle (one year) after the 36 month grant implementation period. The additional positions must be retained over and above all locally-funded sworn officer positions that would exist in the absence of a grant. Auditors determined an estimated cost of the grant retention requirements. Based on the salaries and officers who were invoiced on the grants on September 30, 2005 (the most recent COPS invoices obtained), the retention cost of both UHP grants through August 31, 2009, would be \$225,310.<sup>19</sup>
  - Hiring date: The Universal Hiring Program Grant Owner’s Manual states “You may not fill the UHP position(s) with any officer who was hired prior to the award start date, unless an exception is authorized in writing by the COPS Office.” We noted that for the COPS UHP grant awarded on August 1, 2002 this condition appears to have been violated. Two officers charged to the grant for the time period August 1, 2002 through September 30, 2003, were hired prior to the award date of the grant. Potentially ineligible reimbursements received from COPS based on these officers work during the above time period total \$27,884.60.
  - Community policing: Per the USDOJ COPS Grant Monitoring Standards and Guidelines for Hiring and Redeployment:

“every grant funded officer position is required to initiate or enhance community policing. For example, a COPS UHP grantee with 10 COPS grant-funded officers must deploy 10 officers to initiate or enhance community policing through the approved community policing plan. This does not mean that every hour of the officer’s time must be spent in a specific community policing ‘activity’, but it does mean that the grantee must show the required number of officers initiating or enhancing community policing above the pre-award number. In addition to increasing the number of officers employed, there must also be an increase in community policing activity by the grantee from pre-award community policing activities.”

We performed an analysis of all calendar year 2004 daily log sheets obtained from the Department to determine whether the officers and

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<sup>19</sup> The funding end date assumes the Department will apply for and receive grant extensions to allow full use of grant funds for positions hired after the beginning of the implementation period.

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hours invoiced to COPS for grant reimbursement were supported by the records of the Department.<sup>20</sup> We observed that the total outlays reported to the COPS office on the Financial Status Reports suggest that the Department committed approximately 12,750 officer hours to COPS initiatives in 2004, resulting in \$237,950 in grant reimbursements. During this same time period, we were able to substantiate that the Department logged only 1,271 hours on activities explicitly identified as COPS-related in the daily log sheets. While the COPS UHP requirements do not require hour by hour tracking of COPS activities, we do not believe that the level of documentation found at WCSD meets the guidelines of this grant. This issue has been referred to the United States Department of Justice COPS Office.

- **Matching:** UHP grants require a local match of at least 25 percent. The WCSD Office Manager stated the Department has met the local match through invoicing towns for COPS UHP hours. The COPS UHP Grant Owner's Manual states an acceptable source of local match would be new local appropriations. However, the Grant Owner's Manual further states that local matching funds may not come from funds already budgeted for law enforcement purposes. Nevertheless, auditor review of WCSD contract revenues from towns for the periods prior to and during the COPS UHP grant implementation period determined there was no overall increase in local contract revenues from police services as would be expected to meet the COPS UHP local cash match. It appears that COPS UHP grant funds may have supplanted a portion of services the towns previously contracted to receive from the WCSD. For example, two towns had separate contracts stating the fee for COPS services "shall be \$24.00 per hour, of which the town shall be responsible for \$12.00 per hour with the balance obtained through Federal matching funds as long as they remain available." Lack of an increase in revenues combined with the contract terms stating the rates which will be charged are dependent on the existence of Federal funding could indicate violation with the non-supplanting requirement of COPS UHP grants.
- **Other invoice errors:** We also noted that invoices included (1) rates invoiced in excess of entry-level salaries, (2) fringe benefits invoiced in excess of actual fringe provided to employees, and (3) calculation errors. Given the Department's current cash position, the significance of the

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<sup>20</sup> Although WCSD provided contradictory information as to how COPS invoices were created, we used the daily log sheets to perform our calculation of hours spent on these grants because the Office Manager stated that these sheets are the only record of hours worked on COPS grants.

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future grant obligations and potential repayments to the Department of Justice, we have serious concerns about the Department's ability to retain the officers without federal support as required by the grant agreements.

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## Noncompliance with the Uniform Accounting Manual

State law (24 V.S.A. §290b) provides that the Auditor of Accounts shall adopt and sheriffs shall comply with a uniform system of accounts, controls, and procedures for the sheriff's department, which accurately reflects the receipt and disbursement of all funds by the department, the sheriff, and all employees of the department. The Auditor of Accounts published an updated edition of the Uniform Accounting Manual (UAM) for County Sheriff's Departments in September 2004. This revision updated a previous edition to the manual dated December 1998.

During the course of this examination, Sheriff Prue, through her attorney, denied being aware of the existence of the manual or of its requirements. However, according to records on file with our Office, on July 27, 2004, Sheriff Prue, along with several other sheriffs, attended a meeting at which the proposed revisions to the UAM were formulated and discussed at the Office of the State Auditor.

We reviewed the items on the Uniform Accounting Manual's self-assessment checklist and supporting documentation as needed with the Office Manager and Sheriff Prue and present the results of that review in Appendix V. The Sheriff's Department is substantially not in compliance with the UAM. Specifically, the WCSD lacks critical policies and procedures designed to ensure that the financial operations of the Department are conducted with integrity and result in accurate and reliable financial data. We believe that this lack of a strong control environment substantially contributed to the financial problems and improprieties previously discussed.

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## Conclusions

Sheriff Sheila Prue improperly made numerous purchases of a personal nature and improperly caused services to be provided to herself and her family that were paid for by the Department. As a minimum, we found a pervasive pattern of abuse as defined by *Government Auditing Standards*. The determination as to whether or not certain of the Sheriff's actions constitute criminal conduct under State law has been referred to the Attorney General.

Sheriff Prue's failure to pay deputy sheriffs for construction work done while off-duty by them at her request on her private residence constitutes abuse as defined by *Government Auditing Standards*.

The Windham County Sheriff's Department's internal controls were not designed to provide reasonable assurance that resources were applied economically and efficiently; expended in accordance with applicable laws, regulations, contracts and grants; and were necessary and reasonable.

The Department did not comply with the requirements of 24 V.S.A. § 290b regarding adherence to the Uniform Accounting Manual for County Sheriff Departments, which outlines fundamental financial management practices. For example, the Department did not have or routinely review essential financial data such as budgets and did not have adequate supporting documentation to demonstrate that it complied with the conditions of various grant agreements.

The Windham County Sheriff's Department violated federal and state laws regarding the timely payment of wages to certain of its employees.

The Windham County Sheriff's Department, through billing and reporting irregularities, including instances of double-billing and supplanting, violated key terms of its federal grants for COPS programs.

The state of financial disarray as well as the allegations of spending improprieties strongly indicates that the Department's current management cannot be relied upon to complete the needed overhaul of its financial operations without strong and independent oversight. Such oversight could be provided by a financial receiver who could: oversee day-to-day financial operations; provide needed training; and, help the department develop and

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implement policies and procedures in such vital areas as budgeting and financial management policies and procedures.

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## Recommendations

- 1) Given the state of financial disarray as well as the evidence of improper payments, the Sheriff should immediately recuse herself from the financial management of the department pending completion of the Attorney General's investigation.
- 2) The Sheriff, with the concurrence of the Assistant Judges of the Windham Superior Court and the Director of the State's Attorneys and Sheriff's Department, should immediately appoint an independent financial receiver to oversee the day-to-day financial operations of the department. The receiver, preferably an independent public accountant, should oversee correction of the financial records of the department and implement an appropriate level of internal controls. The receiver also should assist in developing policies and procedures to ensure the WCSD complies with the Uniform Accounting Manual, should oversee the Department's bookkeeping and payroll staff and provide staff training and oversight of day-to-day financial transactions. The receiver should be charged with producing 2005 fiscal year financial records that are in a condition to be audited as required by law.
- 3) The Department's receiver should reconstruct, to the extent possible, the basis for billing federal and state grants and town contracts from February 2003 to the present date, and the Department should repay the appropriate entities for overcharges, if any, disclosed by that analysis.
- 4) Sheriff Sheila Prue should promptly repay the Department the sum of \$55,130 in questioned charges detailed in this report.
- 5) State and county agencies currently providing funds for the Department should meet collectively and develop a strategy to ensure the funds they supply for the activities performed by the Department are properly safeguarded and used as intended.
- 6) The Sheriff should secure adequate training in areas covering the basics of financial oversight, accountability and fiduciary



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responsibilities. Such training could be obtained from the receiver, by reviewing the UAM, or from other sources.

- 7) The Department should develop and implement policies and procedures to ensure that it complies with the requirements of the UAM.
- 8) The Department should develop and implement policies, procedures and controls to ensure that contract and grant agreement terms are complied with and that payroll records are maintained in sufficient detail to validate that hours and rates invoiced are accurately distributed among the various grants and contracts in place.
- 9) The Department should review the payroll records of deputies who worked on County Court contracts to determine the amount of holiday pay due to officers and make arrangements for back payment to those officers.
- 10) The Department should amend previous invoices on federal grants to include only those hours supported by detailed time records and a repayment plan for hours invoiced in excess of those supported should be developed.
- 11) The Sheriff should routinely review Department financial information and reports, including the Budget Status Report, on a monthly basis.
- 12) The Department should implement a unique vendor identifier for each vendor so that no entity can receive multiple payments under more than one name.

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## Comments

Our findings and certain of our recommendations have been discussed with Department employees throughout the examination and their views have been considered in preparing this report.

We have forwarded a copy of our report to the Vermont Attorney General for such action as he may deem appropriate. We have also provided copies of our report to the Inspector General of the U.S. Department of Justice.

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In accordance with 32 V.S.A. §163, we are also providing copies of this report to the Secretary of Administration, the Commissioner of Finance and Management, and the state library. In addition, the report will be made available at no charge on the State Auditor’s web site, [www.state.vt.us/sao](http://www.state.vt.us/sao).

Any questions or comments about this report can be directed to the State Auditor’s Office at 828-2281 or via email at [auditor@sao.state.vt.us](mailto:auditor@sao.state.vt.us). Denise Sullivan, CPA, Senior Auditor, was the primary auditor of this examination, with the assistance of Kaj Samsom, CPA, Senior Auditor, and David O’Bryan, Staff Auditor, under the direction and supervision of Thomas G. Gorman, CPA, Deputy State Auditor.

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## Appendix I

### Scope and Methodology

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To accomplish our objectives of conducting a financial examination of the Department, we conducted interviews of employees, reviewed interim financial statements, and verified accounting policies and procedures in place for compliance with the Uniform Accounting Manual. Results of the initial work necessitated expanding examination procedures to include examining bank and credit card statements, obtaining certain supporting receipts, comparing time reports to grant and town invoices, and evaluating benefits and payments to employees and contractors. The examination focused on activity during the period from February 1, 2003 through February 1, 2006 and was conducted between August 18, 2005 and February 26, 2006.

While numerous records and documents were missing at the Department, we performed extensive testing of transactions by obtaining missing records and documents from original sources such as banks and individual merchants and by recreating a record of transactions from these documents, records available at the Department and interviews of Department employees. We did not test the accuracy of the Department's financial statements.

## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
6/4/2003	Cash Advance	Charge was coded in the general ledger as Cash advance Killington Sheriffs Mtg.	\$200.00
10/15/2003	Cash Advance	Handwritten notation on the credit card statement listed the cash advance was for "100 & 101 Lunch w/Putney town mngr." Putney town manager recalls having lunch in a diner on one occasion with the Sheriff. Charge was included because it was a cash advance.	\$21.50
10/24/2003	Cash Advance	Handwritten notation on the credit card statement listed the cash advance was for "Dollar Store for Halloween items for 132's event." Auditor could not confirm as Officer Owsiak #132 was terminated prior to audit; last paycheck was on 6/10/05.	\$150.00
2/11/2004	Cash Advance	The cash advance was coded in the general ledger as Due from Sheriff. The Sheriff responded to auditor inquiry that the cash advance was for "Clothing allowance (Sheriff)." Auditor included because of conflicting explanations and lack of documentation.	\$242.50
4/18/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as "\$ for items for Sheriff's Mtg and Dinner w/." No documentation was provided.	\$401.50
4/21/2004	Cash Advance	Handwritten notation on the credit card statement listed the cash advance was for "Mtg. Sheriffs at Newfane." No documentation was provided.	\$200.00
4/22/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as "\$ for items for Sheriff's Mtg and Dinner w/." No documentation was provided.	\$100.00
4/23/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as "Lunch with 101"-Melvin.	\$40.00
4/25/2004	Cash Advance	Handwritten note on the credit card statement listed the cash advance was for "Trng meals & exp." Sheriff responded to auditor inquiry that the charge was Meals & Expenses for training; no documentation was provided.	\$200.00
4/29/2004	Cash Advance	Handwritten note on the credit card statement listed the cash advance was for "Trng meals & exp." Sheriff responded to auditor inquiry that the charge was Meals & Expenses for training; no documentation was provided.	\$50.00
5/20/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as "uniform needs."	\$250.00
5/26/2004	Cash Advance	General ledger memo for the transaction listed the charge as unknown what was purchased.	\$161.50

## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
6/8/2004	Cash Advance	Handwritten notation on the credit cards statement listed the charge as "TRNG"; Sheriff responded to auditor inquiry that the charge was Clothing allowance (Sheriff); Auditor included cash advance due to conflicting explanations.	\$200.00
6/8/2004	Cash Advance	Handwritten notation on the credit cards statement listed the charge as "TRNG"; Sheriff responded to auditor inquiry that the charge was Expenses at training; Auditor notes that the June 2004 trip was later noted as personal in nature.	\$50.00
6/9/2004	Cash Advance	Handwritten notation on the bank statement listed the charge as \$50 was for registration and \$150 was for "uniform needs."	\$200.00
6/9/2004	Cash Advance	Handwritten notation on the credit cards statement listed the charge as "TRNG"; Sheriff responded to auditor inquiry that the charge was Expenses at training; Auditor notes that the June 2004 trip was later noted as personal in nature.	\$400.00
7/19/2004	Cash Advance	Bookkeeper coded this cash advance to GL Account 6999 - Uncategorized Expenses; No information was provided regarding this cash advance.	\$61.50
7/22/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as Money for Sheriff Meeting Lunch	\$30.00
7/27/2004	Cash Advance	Handwritten notation on the bank statement listed the charge as lunch after meeting with Sheriffs.	\$21.50
7/30/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as Lunch for trip to Hanover	\$20.00
10/26/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as Hotel & Training for grants; no receipts or training documentation was provided.	\$200.00
10/27/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as Hotel & Training; no receipts or training documentation was provided.	\$301.50
10/28/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as Food for training; no receipts or training documentation was provided.	\$41.75
10/29/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as Food for training; no receipts or training documentation was provided.	\$50.00
10/31/2004	Cash Advance	Handwritten notation on the credit card statement listed the charge as Food for training; no receipts or training documentation was provided. Includes two cash advances on the same day (\$50+\$100).	\$150.00
11/5/2004	Cash Advance	Handwritten notation on the credit card statement listed the cash advance for "office." No support was provided.	\$250.00

## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
11/5/2004	Cash Advance	Handwritten notation on the bank statement listed the charge as "Mtg w/ Capt." and "breakfast."	\$20.00
11/7/2004	Cash Advance	Handwritten notation on the credit card statement listed the cash advance for "office." No support was provided.	\$300.00
11/10/2004	Cash Advance	Handwritten notation on the bank statement listed the charge as "Lunch w/Deputies."	\$51.75
11/20/2004	Cash Advance	Handwritten notation on the bank statement listed the charge as "Lunch w/Lt. graduation."	\$31.75
12/1/2004	Cash Advance	Handwritten notation on the bank statement listed the charge as meeting "w/atty & realtor."	\$41.75
1/1/2005	Cash Advance	Handwritten notation on the credit card statement listed the charge as fax & misc replacement office equipment. Sheriff wrote on her repayment sheet that she would keep the equipment and pay for it.	\$202.50
1/5/2005	Cash Advance	Handwritten notation on the credit card statement listed the charge as fax & misc replacement office equipment. Sheriff wrote on her repayment sheet that she would keep the equipment and pay for it.	\$350.00
1/31/2005	Cash Advance	Handwritten notation on the credit card statement listed the charge as \$70 was listed as civil process fee; no notation of purpose of filing.	\$81.50
2/28/2005	Cash Advance	Handwritten note on the credit card statement stated and sheriff responded to auditor inquiry that the charge was Radio equipment; description of equipment or vendor was not provided.	\$141.50
3/7/2005	Cash Advance	Handwritten note on the credit card statement listed the cash advance was for "mtg. lunch." Sheriff responded to auditor inquiry that the charge was Sheriffs lunch meeting & expenses.	\$21.75
3/15/2005	Cash Advance	Sheriff responded to auditor inquiry that the charge was Clothing (sheriff); no documentation was provided.	\$302.50
3/15/2005	Cash Advance	Sheriff responded to auditor inquiry that the charge was "Lunch w/ Captain."	\$42.00
3/31/2005	Cash Advance	Handwritten notation on the bank statement listed the charge as "Lunch w/ Lt."	\$41.75
4/22/2005	Cash Advance	Sheriff responded to auditor inquiry that the charge was clothing allowance (Sheriff).	\$151.50
4/23/2005	Cash Advance	Sheriff responded to auditor inquiry that the charge was clothing allowance (Sheriff).	\$62.50
4/25/2005	Cash Advance	Sheriff responded to auditor inquiry that the charge was lunch with vendor; no business purpose or confirmation of meeting was provided.	\$40.00

## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
4/27/2005	Cash Advance	Sheriff responded to auditor inquiry that the charge was Meals for trip to VPA with Sergeant.	\$60.00
4/28/2005	Cash Advance	Sheriff responded to auditor inquiry that the charge was Meeting with Lt/Lunch w/Lt.	\$21.50
5/17/2005	Cash Advance	Sheriff responded to auditor inquiry that the charge was Meal while on business in Montpelier/Lunch meeting; no documentation of meeting was provided.	\$41.50
5/21/2005	Cash Advance	Sheriff responded to auditor inquiry that the charge was Gasoline	\$40.00
6/17/2005	Cash Advance	Handwritten notation on the credit card statement listed the charge as "lunch for meeting."	\$21.50
6/29/2005	Cash Advance	Handwritten notation on the credit card statement listed the cash advance was for "clothing."	\$301.50
6/29/2005	Cash Advance	Handwritten notation on the credit card statement listed the charge was for "gas."	\$61.50
6/30/2005	Cash Advance	Handwritten note on bank statement says "clothing." On 12/16/2005 Sheriff wrote cash was used for "shoes-shirts."	\$142.00
7/12/2005	Cash Advance	Handwritten notation on the credit card statement listed the cash advance was for "Lunch during transport."	\$41.50
		<b>Total of Cash Advances</b>	<b>\$6,607.00</b>
4/8/2003	Wal-Mart	Auditor determined this charge was for t-shirts, 2 televisions and a VCR. Assets were not located during onsite visits.	\$304.25
4/21/2003	Rick's Tavern	On 12/16/2005, Prue wrote on the auditor's ledger that the charge was for "food while doing bldg. repair."	\$47.40
4/24/2003	Brattleboro Food SVW	Prue identified and paid this charge in May 2003.	\$32.92
6/8/2003	Best Buy	No explanation was provided for this charge.	\$52.49
6/20/2003	All Seasons Travel/Lyons	Research by auditor determined charge was for travel to Nashville, TN by C Gaudinier.	\$20.00
6/20/2003	All Seasons Travel	Research by auditor determined charge was for travel to Nashville, TN by K. Gaudinier.	\$20.00
6/20/2003	NWA	Research by auditor determined charge was for travel to Nashville, TN by C Gaudinier, net of credit.	\$156.00
6/20/2003	NWA	Research by auditor determined charge was for travel to Nashville, TN by K. Gaudinier, net of credit.	\$156.00
6/22/2003	Merchants #250	Research by auditor determined charge was for food in Nashville, TN; Auditor allowed one third of total charge of \$41.63.	\$27.75
6/23/2003	Big River Grille/Brew	Research by auditor determined charge was for meal to Nashville, TN by Sheila Prue; auditor allowed 1/3 of total charge of \$58.28.	\$38.85

## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
6/23/2003	HRC Nashville = Hard Rock Café	Research by auditor determined three people dined; allowed one third of total charge of \$83.65.	\$55.77
6/23/2003	Music City Special T's	Research by auditor determined charge was made in a shop selling musical instruments and sheet music.	\$32.67
6/24/2003	Big River Grille/Brew	Research by auditor determined charge was for travel to Nashville, TN by Sheila Prue; auditor allowed 1/3 of total charge of \$47.07.	\$31.38
6/24/2003	The Melting Pot	Research by auditor determined three people dined; auditor allowed one third of total charge of \$100.31.	\$66.87
6/25/2003	Embassy Suites	Research by auditor determined charge was primarily for phone calls to family members during travel to Nashville, TN.	\$88.32
6/26/2003	Red Lobster	Prue was reimbursed for this charge by check #8503; Auditor allowed one third of \$84.75 and questions remainder.	\$56.50
6/30/2003	Wal-Mart	On 12/16/2005, Prue wrote on the auditor's ledger that the charge was for "gas grill @ office." Auditor determined charge was for an air conditioner.	\$98.00
7/31/2003	Rick's Tavern	Handwritten note on credit card statement says charge was for "Sgt Evan meal." Sheriff responded to auditor inquiry that the charge was several people working on building (food).	\$30.52
8/1/2003	Brown Computer Solutions	Auditor called BCS on 3/28/06 to determine nature of expense; part could have been for PC or Mac. Per employees, there are no Macs in the WCSD. This charge is included as a questioned charge because other Mac parts were purchased from this vendor.	\$165.75
8/20/2003	Shell	Credit card statement listed charges as Miscellaneous	\$21.00
8/20/2003	Wal-Mart	Handwritten note on credit card statement listed charge as "paper." No documentation was provided for this charge.	\$16.84
8/26/2003	Wal-Mart	Handwritten note on the credit card statement listed the charges as "ink cartridge for fax and copier." No documentation was provided for these charges. Included two charges of \$56.51 and \$36.04 on the same day.	\$92.55
9/24/2003	Wal-Mart	No explanation was provided for this charge.	\$53.39
11/29/2003	McMorland's Restaurant	Handwritten notation on the credit card statement listed the charge was for a "dinner mtg w/Captain and pros. employee." Captain said he has never heard of McMorland's Restaurant.	\$130.05
12/1/2003	Wal-Mart	Handwritten notation on the credit card statement listed the charge was for office supplies; no receipt was provided to substantiate the charge.	\$38.12
12/21/2003	Sunny & Co Toys Inc	Handwritten notation on the credit card statement listed the charge as "puppets for school & drug." Sheriff claimed Home Depot expenses previously identified as puppet theater as personal.	\$171.20



## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
2/9/2004	Light Therapy Products	Sheriff responded to auditor inquiry that the charge was light for inner office.	\$191.00
4/28/2004	Wal-Mart	Auditor research determined this charge was for foodsaver rolls, storage bags and storage box.	\$26.79
4/29/2004	Wal-Mart	Auditor research determined this charge was for duffle, foodsaver rolls, labels plus other items.	\$74.66
5/3/2004	Shell	Credit card statement listed charges as Food.	\$43.25
5/9/2004	Wal-Mart	Handwritten notation on credit card statement lists charge as "office supplies." Wal-Mart charge shows items purchased were consumables.	\$178.76
5/14/2004	Shell	Credit card statement listed charges as Food.	\$41.00
5/19/2004	Easy Video Flemington NJ	Handwritten notation on the credit card statement listed the charge as unknown what was purchased.	\$2.50
6/25/2004	Letamaya	Handwritten notation on the bank statement listed the charge as business dinner. No support was provided for business purpose.	\$138.79
7/7/2004	Wal-Mart	Auditor determined charge was for a charger and a 2hp blower. Handwritten notation on credit card statement lists charge as "Uniforms, supplies."	\$81.58
10/24/2004	Sunoco	Credit card statement listed charge as Miscellaneous	\$52.71
11/5/2004	Wal-Mart	Auditor research determined this charge was for consumables. Handwritten notation on credit card statement shows charge as "office."	\$119.88
12/4/2004	Wal-Mart	Auditor research determined this charge was for consumables. Handwritten notation on credit card statement shows charge as "computer equip office."	\$89.87
12/23/2004	Brown Computer Solutions	Prue wrote on the auditor's ledger that the charge was for "computer supplies." Auditor determined the charges were for software cleanup service, a power adaptor and a wireless card for a Macintosh computer. The Office Manager stated she is sure no one in the WCSO uses a Macintosh computer.	\$199.00
12/31/2004	Letamaya	Handwritten notation on the credit card statement listed the charge as "Dinner Business"; Sheriff responded to auditor inquiry that the charge was Dinner meeting with Captain. Captain said he has never eaten at Letamaya.	\$82.65
2/1/2005	Wal-Mart	Auditor research determined this charge was for a red alarm clock and two oxford cloth shirts.	\$35.80
2/6/2005	Sunoco	Credit card statement listed charges as Miscellaneous	\$43.00
2/8/2005	Thai Garden	Handwritten note on the credit card statement listed the charge as "Lunch w Business." Sheriff responded to auditor inquiry that the charge was Meeting with Captain; Captain said he never ate there.	\$44.35

## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
2/28/2005	Thai Garden	Handwritten notation on the credit card statement listed the charge as "lunch business"	\$38.40
3/10/2005	Sunoco	Credit card statement listed charges as Miscellaneous.	\$4.87
3/17/2005	Sunoco	Credit card statement listed charges as Miscellaneous	\$4.87
3/23/2005	Wal-Mart	Handwritten notation on credit card statement showed \$38.57 as vehicle and \$30.00 as office. Auditor determined purchase included anti-wrinkle cream and 10 pairs of bikini underwear. Sheriff claimed the charge as personal.	\$68.57
3/29/2005	Price Chopper	Handwritten notation on credit card statement listed this charge as court lunch	\$70.73
3/30/2005	Price Chopper	Sheriff responded to auditor inquiry that the charge was Lunch meeting with Lt.	\$21.19
4/27/2005	Price Chopper	Sheriff responded to auditor inquiry that the charge was Lunch for deputies at court.	\$45.04
5/6/2005	Panda North	Handwritten note on the credit card statement describes charge as "Lunch w/cpt." Sheriff responded to auditor inquiry that the charge was Meeting with Captain. Captain said he never ate there with Sheriff.	\$37.15
5/11/2005	Wal-Mart	Handwritten notation on credit card statement listed expense was for "office". Auditor research determined this charge was for consumables.	\$97.31
5/10/2005	Wal-Mart	Handwritten notation on credit card statement listed expense was for "office". Auditor determined charge included a curtain rod, insta cling, and other household-type items.	\$93.84
5/17/2005	Borders Books	Sheriff responded to auditor inquiry that the charge was Supplies for drug/alcohol program; auditor obtained receipt showing <i>Catholicism for Dummies</i> and other items were purchased.	\$29.93
5/30/2005	Quality Inn	Sheriff responded to auditor inquiry that the charge was Lodging for training; Auditor determined hotel bill included a charge for pet lodging of \$20.00.	\$20.00
6/3/2005	Ada's Natural Foods Ma	Sheriff responded to auditor inquiry that the charge was Food while at training; Training ended on 6/1, but the charge was made on 6/3. Auditor obtained list of groceries purchased.	\$124.46
6/4/2005	CVS Pharmacy #3441	Sheriff responded to auditor inquiry that the charge was "Something needed for training"; Training ended on 6/1, but the charge was made on 6/4 in Sanibel, FL, 200 miles south of the training.	\$45.49
6/4/2005	Wal-Mart	Sheriff responded to auditor inquiry that the charge was "Something needed for training"; Training ended on 6/1, but the charge was made on 6/4 in Ft. Myers, FL, 200 miles south of training.	\$14.80

## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
6/5/2005	Publix	Sheriff responded to auditor inquiry that the charge was Food while at training; Training ended on 6/1, but the charge was made on 6/5 in Ft. Myers 200 miles south of the training.	\$38.12
6/7/2005	Bargain World #5 LBV Orlando FL	Handwritten notation on the credit card statement listed the charge as employee gift	\$69.12
6/7/2005	Chevy's 2061-Lake Buena Vista FL	Handwritten notation on the credit card statement listed the charge as meal; training ended on 6/1 - 6 days prior to charge.	\$60.51
6/8/2005	Cracker Barrel #69 Florence	Handwritten notation on the credit card statement listed the charge as "meal"; Auditor obtained receipt which shows gift items.	\$52.59
6/8/2005	Tween Waters Inn, Captiva FL arrived 6/01/05 departed 6/8/05	Handwritten notation on the credit card statement listed the charge as lodging. Charge occurred 1 week after training.	\$718.41
7/5/2005	Front Porch Café	No explanation was given for this bank charge. Handwritten notation non bank statement says "?"	\$28.33
8/2/2005	Delta Brattleboro	Handwritten notation on the credit card statement listed the charge as "trip training"; Sheriff would not provide either name of individual or entity visited or other evidence to validate business-related purpose.	\$379.80
8/4/2005	Lyon Travel - Agent Fee	Research by auditor determined this charge was for travel by Sheila Prue to Portland, OR. Sheriff would not provide either name of individual or entity visited or other evidence to validate business-related purpose.	\$20.00
8/20/2005	Alaska Air	Handwritten notation on the credit card statement listed the charge as box fee for weapon; no documentation of business purpose was provided.	\$40.00
8/20/2005	Avis Rent-a-car	Research by auditor determined this charge was for travel by Sheila Prue to Portland, OR; no documentation of business purpose was provided.	\$222.69
8/20/2005	Red Lion Hotel	Research by auditor determined this charge was for travel by Sheila Prue to Portland, OR; no documentation of business purpose was provided.	\$238.52
		<b>Total Questioned Costs</b>	<b>\$6,034.92</b>
8/29/2003	Price Chopper	Charges were coded in the general ledger as Due from Sheriff, but the charges remained unpaid for two years.	\$57.43
9/1/2003	Price Chopper	Charges were coded in the general ledger as Due from Sheriff, but the charges remained unpaid for two years.	\$24.47
11/28/2003	Wegman's #93 SEI	Research by auditor determined groceries were purchased in Princeton, New Jersey; Sheriff claimed the charge as personal. Amount shown is net of credit voucher of \$12.66.	\$139.28

## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
12/23/2003	7-Eleven	Handwritten notation on the credit card statement listed the charge as "Due from Sheriff"; Sheriff claimed the charge as personal.	\$23.85
12/23/2003	Publix	Handwritten notation on the credit card statement listed the charge as "Due from Sheriff"; Sheriff claimed the charge as personal.	\$94.94
12/25/2003	Studio Showcase	Handwritten notation on the credit card statement listed the charge as "Due from Sheriff"; Sheriff claimed the charge as personal.	\$53.25
3/10/2004	The Home Depot	Auditor determined charge was for items related to home repair. Sheriff claimed the charge as personal.	\$895.11
5/15/2004	Kmart 00044966 Keene NH	Sheriff claimed the charge as personal.	\$45.98
5/18/2004	The Home Depot	Sheriff claimed the charge as personal.	\$50.22
6/10/2004	Wal-Mart	Auditor determined charge was for a weight lifting bench. Handwritten notation on the credit card statement lists the charge as "office equip." Sheriff claimed the charge as personal.	\$68.42
6/13/2004	Arescom Internet Access	Handwritten notation on the credit card statement lists the charge as "Training"; Sheriff claimed the charge as personal.	\$9.95
6/13/2004	Hotels.com	Handwritten notation on the credit card statement lists the charge as "Training"; Sheriff claimed the charge as personal. Includes three individual charges totaling \$430.20.	\$430.20
6/14/2004	Arescom Internet Access	Handwritten notation on the credit card statement lists the charge as "Training"; Sheriff claimed the charge as personal.	\$9.95
6/16/2004	Wellesley Suites IRMO SC	Handwritten notation on the credit card statement lists the charge as "Training"; Sheriff claimed the charge as personal.	\$23.08
7/3/2004	Wal-Mart	Auditor determined charge include 25# cast iron plates, crew socks, and leather gloves. Handwritten notation on the credit card statement lists the charge as "office supplies." Sheriff claimed the charge as personal.	\$78.52
8/1/2004	Wal-Mart	Auditor determined charge was for socks, underwear and a banjo. Handwritten notation on credit card statement listed charge as "office materials." Sheriff claimed the charge as personal.	\$32.77
8/9/2004	Expedia	Auditor spoke with Expedia which stated the charge was booked on Sheriff Prue's account. Sheriff claimed the charge as personal.	\$338.97
8/11/2004	Holiday Inn Express	Sheriff claimed the charge as personal.	\$71.19
8/16/2004	Wal-Mart	Handwritten notation on the credit card statement listed the charge as "Reimbursed by Sheriff."	\$120.65

## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
8/17/2004	Wal-Mart	Handwritten notation on the credit card statement listed the charge as "Reimbursed by Sheriff."	\$72.44
8/19/2004	Target	Bank transaction was coded in the general ledger as "Due from Sheriff."	\$21.50
8/20/2004	Enterprise Rentacar	Sheriff claimed the charge as personal.	\$841.54
8/25/2004	Applebee's	On 12/16/2005, Prue wrote on the auditor's ledger that the charge was "Due."	\$50.63
8/25/2004	Garners	On 12/16/2005, Prue wrote on the auditor's ledger that the charge was "Due."	\$66.19
11/24/2004	Paypal*Fletchertou	Handwritten notation on the credit card statement listed the charge was "To be refunded Trip cancelled." On 12/16/2005, the Sheriff wrote that the charge was "Pd in full '05'."	\$396.00
1/2/2005	Wal-Mart	Auditor determined charge was for a Littermaid cat litter box and scoop. Sheriff claimed the charge as personal.	\$91.84
2/28/2005	The Home Depot	Handwritten notation on the credit card statement listed the charge as "material for making puppet theater." On 12/16/2005, Sheriff marked the charge as "Pd in '05'."	\$123.67
3/1/2005	Wal-Mart	Handwritten notation on the credit card statement listed the charge as "material for making puppet theater." On 12/16/2005, Sheriff marked the charge as "Pd in '05'."	\$88.30
3/2/2005	The Home Depot	Handwritten notation on the credit card statement listed the charge as "material for making puppet theater." On 12/16/2005, Sheriff marked the charge as "Pd in '05'."	\$23.61
5/14/2005	Wal-Mart	Auditor determined charge was for curtains and curtain rods. Sheriff claimed the charge as personal.	\$51.55
5/14/2005	Wal-Mart	Auditor determined the charge included movies, gum, toothbrush and a chair. Sheriff claimed the charge as personal; however, she stated a chair was purchased for 54.44 and believes she owes only 18.07	\$18.07
5/17/2005	Wal-Mart	Auditor determined charge was for 30# Hex Dumbbells. Sheriff claimed the charge as personal.	\$33.48
5/18/2005	Wal-Mart	Auditor determined charge included sandals and a brush. Sheriff claimed the charge as personal.	\$20.20
5/29/2005	Wal-Mart	Auditor determined charge was for groceries and underwear. Sheriff claimed the charge as personal.	\$58.79
5/31/2005	Too Jay's Waterford	Handwritten notation on the credit card statement listed the charge as "training"; Auditor research determined the charge was made in a restaurant; Sheriff claimed the charge as personal.	\$35.81

## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
6/6/2005	Island Style	Handwritten notation on the credit card statement listed the charge as "training"; Auditor research determined the charge was made in a souvenir shop; Sheriff claimed the charge as personal.	\$14.84
6/6/2005	T-shirt Place of Sanibel, FL	Handwritten note on credit card statement lists charge as "pers." On 12/16/2005, the Sheriff wrote the charge was "Pd. '05'."	\$12.17
6/7/2005	Polo/RL Factory Outlet-Orlando	Handwritten note on the credit card statement classified charge as "employee gifts." Sheriff claimed the charge as personal.	\$58.55
6/9/2005	Wal-Mart	Auditor determined charge included toothpaste, a blender, a movie, gum. Sheriff claimed the charge as personal.	\$130.21
6/11/2005	Kmart 00044966 Keene NH	On 12/16/2005, the Sheriff wrote the charge was "Pd. '05'."	\$319.80
6/11/2005	Wal-Mart	Auditor determined charge was for two air conditioners. Sheriff claimed the charge as personal.	\$263.68
6/28/2005	Wal-Mart	Auditor determined charge included hamburger, chips, and tea. Sheriff claimed the charge as personal.	\$51.16
7/1/2005	The Home Depot	Sheriff claimed the charge as personal.	\$128.25
7/3/2005	Hannaford-Putney Road VT	On 12/16/2005, the Sheriff wrote the charge was "Pd. '05'."	\$45.06
7/3/2005	Wal-Mart	Auditor determined charge included 25# and 35# Dumbbells. Sheriff claimed the charge as personal.	\$101.70
7/31/2005	Wal-Mart	Auditor research determined this charge was for 50 qt latchable tote and drywall screws; No explanation was received for this charge to determine if it was for home or office renovation.	\$39.16
8/1/2005	Price Chopper	On 12/16/2005, the Sheriff wrote the charge was "Pd. '05'."	\$39.90
8/10/2005	Hannaford-Putney Road VT	Sheriff claimed the charge as personal.	\$32.26
8/10/2005	Toadstool Bookshops	Sheriff claimed the charge as personal.	\$25.95
8/13/2005	Panda North	Sheriff claimed the charge as personal.	\$56.00
		<b>Total of Non-Cash Transactions Sheriff Prue Claimed as Personal<sup>a</sup></b>	<b>\$5,880.54</b>
3/29/2003	JCPenney	On 12/16/2005, Prue wrote on the auditor's ledger that the charge was for "shirts-Sheriff."	\$63.00
3/31/2003	Dress Barn	Bookkeeper coded this charge as a uniform expense.	\$84.98
3/31/2003	Van Heusen Ret 039	Bookkeeper coded this charge as a uniform expense.	\$22.49
5/18/2003	Filenes Basement	On 12/16/2005, Prue wrote on the auditor's ledger that the charge was for "shirts-Sheriff."	\$36.72

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## Appendix II

### Summary of Credit and Debit Card Transactions Unsupported or Personal in Nature

Date of Charge	Vendor or Company	Auditor's Comments	Amount in Question
1/19/2004	Filenes Basement	Handwritten note classifies charge as "uniform." Sheriff responded to auditor inquiry that the charge was clothing allowance Sheriff.	\$135.57
2/21/2004	Lord & Taylor	Sheriff responded to auditor inquiry that the charge was Clothing allowance (Sheriff); Auditor could not obtain receipt since store has since closed.	\$225.92
2/28/2004	Lord & Taylor	Sheriff responded to auditor inquiry that the charge was Clothing allowance (Sheriff); Auditor could not obtain receipt since store has since closed.	\$58.39
11/2/2004	Bass Shoe Outlet 357	Handwritten notation on the credit card statement listed the charge as boots; no documents were provided.	\$107.97
4/23/2005	Old Navy #6173	Sheriff responded to auditor inquiry that the charge was clothing allowance (Sheriff).	\$39.00
5/9/2005	Van Heusen Ret 039	Sheriff responded to auditor inquiry that the charge was Clothing allowance (Sheriff)	\$35.98
		<b>Total Uniform Charges (Excluding Cash Advances used for Uniforms)</b>	<b>\$810.02</b>
		<b>Grand Total</b>	<b>\$19,332.48</b>

<sup>a</sup>The Sheriff also acknowledged as personal gasoline charges, which are not included in this amount.

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## Appendix III

### Summary of Cell Phone Charges to the Department For Sheriff's Partner and Their Child

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Cell Phone Usage

	<u>Invoice</u>		
	<u>Date</u>	<u>Charge</u>	<u>Minutes Used</u>
Partner	2/26/2005	\$ 126.51	246
	3/26/2005	\$ 73.75	192
	4/26/2005	\$ 60.95	150
	5/26/2005	\$ 89.60	973
	6/26/2005	\$ 137.87	978
	7/26/2005	\$ 60.08	1,751
		<u>\$ 548.76</u>	<u>4,290</u>
Child	2/26/2005	\$ 26.66	123
	3/26/2005	\$ 19.84	414
	4/26/2005	\$ 37.05	446
	5/26/2005	\$ 18.83	406
	6/26/2005	\$ 177.68	1,019
	7/26/2005	\$ 29.17	500
		<u>\$ 309.23</u>	<u>2,908</u>
	<u><b>\$ 857.99</b></u>	<u><b>7,198</b></u>	
Diversified Adjustment Collection Agency Payment	\$ 342.59		
Cell Phone Paid on credit card XX-2558 in November 2005	\$1,251.10		
Cell Phone balance past due as of March 9, 2006	<u>\$2,227.78</u>		
Total payments on partner's and child's cell phones	<u><b>\$4,679.46</b></u>		



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## Appendix IV

### Summary of Sheriff's Unsupported or Personal Financial Transactions

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<i>Nature of Financial Transaction</i>	<i>Amount</i>
Sheriff requested, wrote, signed and endorsed check payable to "Cash"	\$1,300
Sheriff requested, signed and endorsed check payable to "Sheila Prue"	\$1,000
Sheriff initiated monthly "reimbursements" of unsupported expenses for the employee's contribution toward the state health insurance premium	\$8,896
Sheriff initiated monthly "reimbursements" of unsupported expenses for home telephone and internet expenses	\$10,138
Questioned credit and debit card charges on Department accounts	\$19,332
Estimated imputed value of vehicle and gasoline provided for the use of the Sheriff's partner	\$15,805
Estimated value of vehicle, gasoline and auto insurance for Sheriff's personal use of Department vehicle	Not determined
Cell phone accounts provided by Department for domestic partner and child	\$4,679
Check payments to Sheriff for "clothing allowance"	<u>\$626</u>
<b>Subtotal identified unsupported or personal financial transactions</b>	<b>\$61,776</b>
Less repayment made by the Sheriff on May 19, 2003	(\$33)
Less repayment made by the Sheriff on June 30, 2004	(\$414)
Less repayment made by the Sheriff on October 20, 2004	(\$193)
Less Repayments made by the Sheriff since our examination began	<u>(\$6,006)</u>
<b>Net transactions remaining in question</b>	<b><u>\$55,130</u></b>

## Appendix V

### Assessment of the Sheriff's Department's Compliance with the UAM

Num.	UAM Policies and Procedures	Satisfied?	Comments
1	Does the Department have an organizational chart defining the activities and persons responsible for them and written statements of employees' duties and responsibilities?	No	The Windham County Sheriff's Department does not have an organizational chart. This control serves to avoid confusion and conflict of work efforts and to promote adequate training and appropriate supervision.
2	Are Department personnel involved in accounting functions required to take an annual vacation?	No	The Windham County Sheriff's Department does not require Department personnel involved in accounting functions to take annual vacations. This control serves to reduce the opportunity for accounting employees to commit and conceal theft of assets.
3	Are accounting functions performed by other personnel during the vacation of primary accounting personnel?	Yes	
4	Is other Department staff trained in the accounting functions to provide backup in the case of vacation or other absence of the primary bookkeeping employees?	No	Cross training is helpful to provide backup in the case of vacations or other absences. Without such training, the Department may not be able to complete important accounting functions, such as invoicing, bill payment and account reconciliations in a timely manner in the event the bookkeeper is unavailable for an extended period.
5	Is responsibility for accounting duties ever rotated among staff?	No	Rotation of accounting duties is helpful in disclosing any irregularities or errors that may have occurred.
6	Does the Department have adequate fidelity insurance provided through position bonds or employee dishonesty coverage to ensure against losses?	Yes	
7	Is all work performed by deputy sheriffs by virtue of their office assigned by the Sheriff?	Yes	
8	Do all deputies maintain and periodically file an activity log or timesheet for their standard and contract work for the Department?	Partially	Deputies' activity logs do not always contain sufficient detail to determine efforts expended to allocate labor costs to the various activity expense accounts of the Department. Invoices to towns, courts and grants were not supported by source documents and could incorrectly charge hours not actually worked.

## Appendix V

### Assessment of the Sheriff's Department's Compliance with the UAM

Num.	UAM Policies and Procedures	Satisfied?	Comments
9	Does the Sheriff review the deputy's activity log or timesheet and approve it in writing?	No	The Windham County Sheriff does not review time reports and approve them in writing. This control serves to document that time sheets have undergone a review process and that payments to employees represent valid claims.
10	Does the Department have a copy of all of its contracts to provide law enforcement or other related services per 24 V.S.A. §291a(d)?	Yes	
11	Are contracts numbered in accordance with the UAM?	Yes	
12	Is a subsidiary record of contracts maintained, in alphabetical order, including the date of the contract and a brief description of the services to be rendered?	Yes	
13	Is there a control list of contracts?	Yes	
14	Has the Sheriff submitted to the assistant judges a report of all written contracts, categorized by the contracting party, services rendered, date of contract, and amount received?	Yes	
15	Are sequentially pre-numbered forms used for billings for all services and are all numbers accounted for, including spoiled or voided billing forms that must be retained?	No	32 sequentially numbered purchase orders were used to document reimbursements of payments made to Sheriff Prue covering the period from February 2003 to present. Absence of any other purchase orders used indicates the forms were created contemporaneously.
16	Do Department billings advise that all payments must be made payable to and remitted to the Sheriff's Department?	Yes	
17	Has the Sheriff authorized all bank accounts and check signers and is a copy of this authorization kept on file?	Yes	
18	Does the Sheriff initially collect and deposit all fees and other compensation earned by deputies?	Yes	

## Appendix V

### Assessment of the Sheriff's Department's Compliance with the UAM

Num.	UAM Policies and Procedures	Satisfied?	Comments
19	When deputies perform services for which a specific statutory fee is provided, is that exact amount paid to them?	No	Department does not comply with the mandatory requirement that whenever deputies perform services for which a statutory fee is provided, that exact amount must be paid to them. For example, Vermont statutes provide for payment of \$30 for service of process in 32 V.S.A. §1591, yet officers are paid \$12 for each service.
20	Are wages paid not more than 6 days after the end of the payroll period? (Wages earned by Department employees must be paid not more than 6 days after the end of the payroll period per 21 V.S.A. §342.)	No	Overtime wages in excess of 10 hours per pay period were withheld from employees until after the Department received reimbursement for those hours from the granting authority.
21	Does the Sheriff maintain an earnings summary for each employee?	Yes	
22	Does the Department have a written procedure for all purchase contracts of \$3,000.00 or greater and has the procedure been filed with the assistant judges? 24 §291a(e) requires each Sheriff's Department to establish a written procedure for all purchase contracts, file the procedure with the assistant judges, make it available for public review and provide a copy to the Auditor of Accounts.	No	The minimum criteria for requiring formally advertised competitive bidding shall be for purchases exceeding \$10,000. Our review disclosed two contract relationships which exceeded \$10,000 annually for which no bid process or written contract was in place.
23	Does the Department maintain a support schedule for compensation paid to the Sheriff for administration of a contract or related service showing (1) the rate or method of calculation for the compensation according to the contract, (2) the payment's compliance with the five percent limit on these payments, and (3) verification that payment to the Sheriff was made during the same calendar year in which the revenue was received by the Department under the contract?	Yes	

## Appendix V

### Assessment of the Sheriff's Department's Compliance with the UAM

Num.	UAM Policies and Procedures	Satisfied?	Comments
24	Does the Sheriff give written approval for all disbursements and their posting as expenses? If responsibility is delegated to a Department employee, is the delegation in writing and made part of written duties and responsibilities of the employee?	Partially	Although the Sheriff stated that she approves all disbursements and their posting as expenses, there is no evidence such as initials on the invoice to demonstrate this approval.
25	Are there formal written personnel policies for (1) normal work week hours, (2) vacation leave, (3) sick leave, (4) compensated absences, and (5) how accumulated unpaid fringe benefits (e.g., sick leave) are handled at the time of employees' termination of employment (6) Overtime compensation	Partially	No written policy exists in the Department to define normal work week hours or to specify how overtime hours are allocated to employees or paid. Certain officers were assigned to grant work where all hours worked were paid at overtime rates, effectively a 50 percent wage premium, inconsistent with the practice for other employees in the Department.
26	Is all property and equipment purchased or leased with Department funds held in the name of the Department?	Yes	
27	Are invoices maintained to support the purchase or lease of property and equipment?	No	Sheriffs shall maintain property and equipment records to control the use and disposition of Department property and equipment. These records are required to ensure compliance with any restrictions placed on the equipment. Our review found weapons transactions where sales and dispositions of weapons could not be adequately determined. Department automobiles were purchased from dealers and sold to employees without sufficient documentation.
28	Does the Department have a policy concerning its fixed assets?	No	The Department does not have a written policy concerning the value up to which assets are expensed or a process for annual inventories. Assets have not been depreciated since 6/30/04, resulting in an understatement of expenses and an overstatement of net assets. Assets have been sold to employees without a written evaluation of current market value. Lack of documentation begs the question of whether these sales represented "bargain sales" which were a form of employee compensation and for which taxpayers did not receive full value.
29	Is a depreciation schedule maintained of property and equipment?	Yes	

## Appendix V

### Assessment of the Sheriff's Department's Compliance with the UAM

Num.	UAM Policies and Procedures	Satisfied?	Comments
30	Are the following accounting records maintained: (1) general ledger, (2) accounts receivable and billing system, (3) cash receipts journal, (4) cash disbursements journal, and (5) payroll journal? Are computer back-up tapes or diskettes stored off-site from the Sheriff's Department and printouts reflecting detailed transactions?	Yes	
31	For the Department's petty cash system, (1) is a set amount of cash maintained, (2) is responsibility assigned to one person, (3) is the cash balance restored with a check made out to the custodian of the petty cash fund, and (4) are petty cash disbursement expenses recorded in the cash disbursement journal?	Partially	A single check for \$1,500 was recorded as "Petty Cash," however, no expenses have been recorded, petty cash has not been replenished, and the money cannot be found in the Department. There is no evidence that the check signer(s) reviewed support documents to ensure the validity and necessity of payments made. As such, it is likely improper payments could be unknowingly signed.
32	Are pre-numbered, two-part cash receipts used for all receipts?	Yes	
33	Is any single individual able to (a) authorize a transaction, (b) record a transaction, and (c) maintain custody of the assets resulting from the transaction?	Yes	The Office Manager has the ability to purchase assets, issue payment and record transactions. These functions should be separate to prevent the opportunity to sign checks and conceal their use or purpose.
34	Are purchase orders (1) used, (2) sequentially pre-numbered, (3) numbers accounted for, and (4) approved in writing by the sheriff or designee?	Partially	We observed purchase orders used out of sequence and note that no journal of purchase orders is kept by the Department. It appears the Sheriff created sequential backdated purchase orders in February 2006 to support payments made to her dating to February 2003.
35	Are (1) checks pre-numbered, (2) unused checks controlled, (3) checks prohibited from being written to "cash," (4) checks prepared by one person and signed by another person, and (5) reviews of support information performed by the check signer when signing a check?	Partially	Checks made payable to "cash" can be cashed by any bearer whether appropriate or not. We discovered several instances of checks written to cash or bank debit cards used to withdraw cash from Department bank accounts without supporting documentation as to the nature of the usage of that cash.

## Appendix V

### Assessment of the Sheriff's Department's Compliance with the UAM

Num.	UAM Policies and Procedures	Satisfied?	Comments
36	Is the employee designated to do bank reconciliations not authorized to sign checks?	No	The Office Manager reconciles the bank statement and has the authority to sign checks. These functions should be separate to prevent the opportunity to sign checks and conceal their use or purpose.
37	Is the bank reconciliation procedure documented?	Yes	
38	Are bank statements reconciled monthly?	Yes	
39	Does another responsible official review the completed bank reconciliation?	Yes	
40	Is the completed bank reconciliation initialed and dated by the person preparing the reconciliation and by the person who reviewed it?	Yes	
41	Does the Department have written policies and procedures concerning the collection of outstanding receivables and the allowance for doubtful accounts?	No	The Office Manager prepares and mails invoices to customers and determines which accounts should be written off as uncollectible accounts. These functions should be separate to prevent the possibility of skimming, personally taking a customer payment and then adjusting the customer's account so the theft is not discovered.
42	Does the Department have written policies and procedures concerning the authorization to write-off uncollectible debts?	No	The ability to write-off accounts should be limited to the Sheriff or a designated individual not associated with billing or recording revenues to limit the opportunity to convert payments for Department work to personal use.
43	Is a record retained of bad debts that are written off?	Yes	
44	Are credit balances in accounts receivable investigated?	Yes	
45	Are written procedures in place to identify accounts payable at year-end?	No	Vendor invoices not included in the accounts payable listing understate expenses and overstate net income for the Department. During our review, invoices were withheld from entry into the accounting system by both the Sheriff and the Office Manager, prohibiting accurate financial reporting.

## Appendix V

### Assessment of the Sheriff's Department's Compliance with the UAM

Num.	UAM Policies and Procedures	Satisfied?	Comments
46	Are written procedures in place to identify accrued expenses (interest, payroll taxes, amounts payable to state government, accrued wages, compensated absences, etc.) at year-end?	No	No written procedures exist in the Department to identify accrued expenses. Without recording these expenses, net income is overstated resulting in inaccurate financial reporting.
47	Are the following records included in personnel files: (1) employment application, (2) information on new employee checks (e.g., reference checks), (3) date employed, (4) pay rates, (5) changes in pay rates and position, (6) authorization for payroll deductions, (7) earnings records, (8) W-4 form, (9) I-9 form, (10) specimen signatures, and (11) termination data and written termination notices showing the sheriff's approval, where appropriate?	Partially	Per discussion with the Office Manager and the Sheriff, earnings records are not retained in personnel files. We did not review personnel records and, as such, we recommend a review of pay rates, positions, job descriptions and employee qualifications and training to ensure positions are properly filled by appropriately trained employees.
48	Are the following reconciliation procedures performed monthly: (1) cash accounts, (2) accounts receivable to the detail invoices, (3) grants receivable to the total of the amount of individual grant agreements, (4) payroll withholdings to the payroll reports, and (5) accounts payable subsidiary ledger to actual invoices?	Partially	The payroll contractor stated she reconciled the payroll withholdings to payroll reports "probably every 2 months." The Office Manager stated she does not reconcile the accounts payable ledger to actual invoices. Failure to reconcile subsidiary ledgers to source documents in a timely manner inhibits determination and correction of possible errors.