Report of the Vermont State Auditor

January 3, 2007

VERMONT COUNTY SHERIFFS' DEPARTMENTS:

COMPILATION OF REPORTS ON FINANCIAL TRANSACTIONS & CONDITIONS AT VERMONT COUNTY SHERIFFS' DEPARTMENTS FOR FISCAL YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2005

Randolph D. Brock
Vermont State Auditor
Rpt. No. 07-01

Mission Statement

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RANDOLPH D. BROCK
STATE AUDITOR

STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

January 3, 2007

Speaker of the House of Representatives Gaye Symington
President Pro Tempore of the Senate Peter Shumlin
Members of the General Assembly

Dear Colleagues:

I am pleased to submit the attached compilation of audit reports that describe the financial transactions and condition of each of Vermont's 14 County Sheriffs' Departments, as required by 24 V.S.A. §290b(d).

In accordance with §290b(e), each Sheriff's Department is required to be audited once every two years by a public accounting firm, with the cost of these audits shared by the State Auditor's Office, the Secretary of Administration, and the respective Sheriff's Department.

This report utilizes financial information from statements that have been audited under §290b(e), rather than unaudited financial reports submitted to the State Auditor's Office under §290b(d) which historically have proved unreliable. (*Notwithstanding that, separately, for currency, we have also included the unaudited results for those departments audited for Fiscal Year 2006. The audited reports for those departments are scheduled for release in January 2007.*)

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

For the year ended June 30, 2004

- Addison County
- Caledonia County
- Essex County
- Franklin County
- Grand Isle County
- Lamoille County
- Orleans County
- Rutland County

For the year ended June 30, 2005

- Bennington County
- Chittenden County
- Orange County
- Washington County
- Windham County
- Windsor County

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The audits referenced in this report were conducted by two firms in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*.[1] With the exception of the 2004 audit of the Washington County Sheriff's Department and the 2005 audit of the Windham County Sheriff's Department, the reports are unqualified.

The two departments at which auditors disclaimed providing an opinion experienced financial improprieties committed by the respective Sheriffs.

Each audit also includes a report on internal control over financial reporting and on compliance. These reports contain findings and recommendations for corrective actions. In some cases, these findings represent serious and recurring control weaknesses. However, in all cases corrective action plans have been provided by the respective sheriffs.

We strongly recommend that the General Assembly mandate the following minimum steps to strengthen accounting practices at the state's Sheriffs' Departments:

- Require an annual financial audit of each Sheriff's Department to be conducted under *Government Auditing Standards* within four months after the end of the fiscal year.

- Charge the Commissioner of Finance and Management with the responsibility to specify accounting policies and procedures, to mandate common reporting systems and to provide on-going training assistance and oversight.

A special task force, convened by our office and comprised of members of the Sheriffs' Association, the State's Department of Finance and Management, the State Auditor's Office, the Attorney General's Office, the Department of States Attorneys and Sheriffs and the Assistant Judges' Association representative has been meeting to address these and other relevant issues.

It is my hope that the task force will address these key issues in 2007 and that the Sheriffs' Departments will make needed improvements to maintain the public's trust and confidence in their financial procedures and reporting.

Sincerely,

Randolph D. Brock
State Auditor

cc: Vermont Sheriffs' Association

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[1] Copies of individual County Sheriff's Department audit reports are available upon request.

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Abbreviations

IC	Internal Control
MD&A	Management Discussion and Analysis
MW	Material Weakness
NC	Non-compliance
RC	Reportable Condition
SAO	State Auditor's Office
V.S.A.	Vermont Statutes Annotated

Introduction

A County Sheriff's Department is a governmental entity created by the Vermont Constitution and operating under the specific authority and procedures established under Vermont state law. A sheriff is a statutory employee of the county where he or she serves, but many of the sheriff's functions and administration are handled outside the county. For example, the State sets and pays the sheriff's salary and the sheriff provides periodic financial reports to the State's Department of Finance and Management. However, Deputies and other personnel are paid by the respective counties at salaries that are established locally.

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

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

The State Auditor's Office has a number of duties in statute regarding the preparation and auditing of financial statements by the 14 County Sheriffs' Departments.

Among these duties, outlined in 24 V.S.A. §290b(d), is the responsibility to compile reports that reflect the financial transactions and condition of each Sheriff's Department into one report for the General Assembly.

In a subsequent section of statute, 24 V.S.A. §290b(e) we are also required to receive copies of the biennial audits of financial statements issued by Sheriffs' Departments, and to pay one third the cost of these audits.

Each Sheriff's Department is required to be audited every two years, and the following schedule has been adopted:

County	Audited for the year ended June 30:
Addison	2004, 2006
Bennington	2005, 2007
Caledonia	2004, 2006

Chittenden	2005, 2007
Essex	2004, 2006
Franklin	2004, 2006
Grand Isle	2004, 2006
Lamoille	2004, 2006
Orange	2005, 2007
Orleans	2004, 2006
Rutland	2004, 2006
Washington	2005, 2007
Windham	2005, 2007
Windsor	2005, 2007

The current public accounting firm contractor is McSoley, McCoy & Co. of South Burlington.

This report provides a synopsis of Sheriffs' Departments audit reports. Table I provides a summary of the date of each report and the expression of opinion by auditors regarding the Department's financial statements taken as a whole.

Table 1: Audit Opinions

	Audit Date	Opinion Expressed	Basis of Accounting
2004 (all by R.F. Lavigne & Company)			
Addison	6/10/2005	Unqualified	Accrual
Caledonia	12/22/2004	Unqualified	Accrual
Essex	12/15/2004	Unqualified	Accrual
Franklin	11/12/2004	Unqualified	Accrual
Grand Isle	9/3/2004	Unqualified	Accrual
Lamoille	8/31/2004	Unqualified	Accrual
Orleans	12/9/2004	Unqualified	Accrual
Rutland	8/26/2004	Unqualified	Accrual
Washington	10/20/2004	Disclaimed*	Accrual
*Scope limitation: records for 7/1/03-12/31/03 were unavailable			
2005 (all by McSoley, McCoy & Co.)			
Bennington	12/20/2005	Unqualified	Accrual
Chittenden	1/4/2006	Unqualified	Accrual
Orange	1/5/2006	Unqualified	Accrual
Washington	12/16/2005	Unqualified	Accrual
Windsor	1/6/2006	Unqualified	Accrual
Windham	10/11/2006	Disclaimed	Accrual
2006 (all by McSoley, McCoy & Co.)			
Addison	Pending	Pending	Accrual
Caledonia	Pending	Pending	Accrual
Essex	Pending	Pending	Accrual
Franklin	Pending	Pending	Accrual
Grand Isle	Pending	Pending	Accrual
Lamoille	9/28/2006	Unqualified	Accrual
Orleans	Pending	Pending	Accrual
Rutland	9/1/2006	Unqualified	Accrual
Washington	9/12/2006	Unqualified	Accrual
Transition Audit (7/1/04-12/16-04)			Issued by SAO
Rutland	11/22/2005	Unqualified	Accrual

Scope & Methodology

In 2001, R.F. Lavigne & Company of Williston was selected and received a contract to audit every Sheriff's Department, and this contract was extended through Fiscal Year 2004. After a public bid process, the firm of McSoley, McCoy and Co. of South Burlington was selected to perform all Sheriffs' audits beginning with Fiscal Year 2005.

The audit reports summarized in this report may indicate that auditors detected a material weakness, reportable condition, or instance of non-compliance.

Reportable conditions (RC) involve matters coming to the auditors' attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in the auditor's judgment could aversely affect a Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Evidence of failure to safeguard assets from loss, damage, or misappropriation is an example of a reportable condition.

A material weakness (MW) is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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.

Non-compliance (NC) is generally the failure to adhere to certain provisions of laws, regulations, contracts, and grant agreements in situations where such non-compliance could have a significant effect on the audit results.

The objectives of internal control (IC) relate to financial reporting, operations, and compliance. For the purposes of this report, a finding related to internal control (IC) generally refers to an important, but less-than-significant, deficiency in an aspect of one of the five internal control components of an organization: the control environment, risk assessment, control activities, information and communication, and monitoring.

Government Audit Standards

Financial Statement Audits of the individual Sheriffs' Departments, summarized in this report, were conducted in accordance with Generally

Accepted Government Auditing Standards, issued by the Comptroller General of the United States.

Those standards require auditors to plan and perform the audit to obtain sufficient evidence to provide reasonable assurance about whether the financial statements of the various Departments are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

Summary of Audit Results

Addison County

James Coons, Sheriff
Addison County Sheriff's Dept.
35 Court St.
Middlebury, VT 05753

Audit Period: For year ended June 30, 2004
Contractor: R.F. Lavigne & Company, Williston
Date of report: June 10, 2005

Overview

- No reportable conditions.
- No material weaknesses.
- Two instances of noncompliance with laws or contracts.
- One reportable condition from a prior year audit that remains unresolved.

Non-Compliance

- Non-compliance (NC) 01 noted that no documentation is maintained of the bidding process required for purchases in excess of $10,000. This comment was also in Lavigne's 2002 report and is the unresolved comment referred to above. RESPONSE: Sheriff Coons states that "it is

my expectation and intent that all bids for purchases in excess of $10,000 will be documented."

- NC02 noted one instance in which work performed exceeded the limits ($2,000 or ten working days) for a written contract without one being obtained. RESPONSE: Sheriff states that "it is my expectation and intent that written contracts will be executed for all work performed" in excess of the requirements. No target date for resolution was included in the Sheriff's response.

Bennington County

Gary Forrest, Sheriff
Bennington County Sheriff's Dept.
P.O. Box 4207
212 Lincoln St.
Bennington, VT 05201

Audit Period: For year ended June 30, 2005
Contractor: McSoley, McCoy & Co., South Burlington
Date of report: December 20, 2005

Overview

- Five material weaknesses.
- One finding was repeated from the prior audit.

Material Weakness

- MW1 noted that Department personnel could not explain certain accounts, leading to write offs, that certain account balances had not been updated since the prior biennial audit, and that net assets did not properly reconcile to prior years. Audit recommended that financial statements be reviewed and reconciled monthly. RESPONSE: For the past several years a local accounting firm has come in monthly to reconcile the accounts. Department states it is unsure as to why this didn't prevent the problem.
- MW2 noted that bookkeepers are also authorized check signers. RESPONSE: Duties have been segregated as of March 2006 but SAO is unable to determine if this segregation is sufficient based upon the information (employee names rather than positions) contained in the response.
- MW3 noted that bookkeepers reconcile accounts receivable and open the mail. RESPONSE: These duties have been segregated as of March 2006.
- MW4 noted that the Sheriff was not documenting his approval of time cards. This had been noted in the prior audit as well. RESPONSE: Approval of time cards is now indicated by the initials of the reviewer as of March 2006.
- MW5 noted that purchases using the Department credit card lacked sufficient supporting documentation substantiating the validity of the expense. RESPONSE: Credit card is used only by the Sheriff.

Caledonia County

Mike Bergeron, Sheriff
Caledonia Sheriff's Dept.
1126 Main St., Suite 2
St. Johnsbury, VT 05819

Audit Period: For year ended June 30, 2004
Contractor: R.F. Lavigne & Company, Williston
Date of report: December 22, 2004

Overview

- Six reportable conditions (termed "other matters" by the auditor).
- No material weaknesses.
- Two issues of non-compliance.

Reportable Condition

- RC01 noted that revenues were recorded on a cash rather than accrual basis of accounting. RESPONSE: Accounting is now done on the accrual basis, according to the Department.
- RC02 noted that the auditor was unable to locate the Court Officer contract for the period under audit. RESPONSE: A copy of the contract was obtained and placed in the court contracts file. Department maintains copies of all contracts now.
- RC03 proposed that bank reconciliations should be reviewed by the Sheriff. RESPONSE: This is now being performed by the Sheriff.
- RC04 noted aged accounts receivable of $2,600 and suggested that the Sheriff review the listing and authorize the write-off of any amounts deemed uncollectible. RESPONSE: Write-offs are printed and given to the Sheriff for approval.
- RC05 suggested using a standard form to document changes to pay rates and noted that bonuses were paid without subjecting the payments to payroll taxes. RESPONSE: Hourly wages are determined each year by the Sheriff and given to the Deputies. Bonuses are part of payroll, therefore taxes are deducted.
- RC06 noted that the Sheriff's office does not record fixed assets and that $12,800 in equipment purchased in FY04 was charged to expense. RESPONSE: A fixed asset list is kept on file and updated as purchases are made.

Non-Compliance

- NC01 noted that the Department was unable to provide documentation for bids for purchases in excess of the required $3,000 (now $10,000).
- NC02 noted three instances in which work was performed that met the criteria requiring a contract but none was obtained.

Chittenden County

Kevin McLaughlin, Sheriff
Chittenden County Sheriff's Dept.
P.O. Box 1426
70 Ethan Allen Drive
So. Burlington, VT 05403

Audit Period: For year ended June 30, 2005
Contractor: McSoley, McCoy & Co., South Burlington
Date of report: January 4, 2006

Overview

- Two material weaknesses.
- Three reportable conditions.

Material Weakness

- MW01 noted that Department personnel could not explain certain accounts, leading to write-offs, that certain account balances had not been updated since the prior biennial audit, and that net assets did not properly reconcile to prior years. Recommendation that financial statements be reviewed and reconciled monthly. RESPONSE: McSoley, McCoy & Co. has performed a compilation of the 6/30/06 financial statements.
- MW02 noted that disbursements are not being approved by a responsible official. RESPONSE: Sheriff signs checks and initials invoices supporting the checks as part of his review.

Reportable Condition

- RC03 noted several aged outstanding checks and suggested that payment on them be stopped. RESPONSE: Office Manager has been directed to investigate aged checks and write off any for whom the payee cannot be reached.
- RC04 noted that fixed asset records include fully depreciated items that are no longer in service that should be removed from the records. RESPONSE: This has been addressed as part of the 6/30/06 compilation noted above.
- RC05 noted that bank reconciliations are not reviewed by a responsible official. RESPONSE: Sheriff is now initialing the bank reconciliations.

Essex County

Amos Colby, Sheriff
Essex County Sheriff's Dept.
566 Bobbin Mill Rd.
Lunenburg, VT 05906

Audit Period: For year ended June 30, 2004
Contractor: R.F. Lavigne & Company, Williston
Date of report: December 15, 2004

Overview

- Five internal control issues; one of non-compliance.
- No material weaknesses.

Internal Control

- IC01 noted that backups of the computer systems are not performed on a timely basis. RESPONSE: The computer is generally backed up monthly.
- IC02 suggested that the Sheriff review monthly bank reconciliations. RESPONSE: Sheriff is now reviewing the monthly bank reconciliations.
- IC03 noted that the Sheriff's office does not record fixed assets and that $35,000 in vehicles and $6,000 in equipment purchased in FY04 had been charged to expense. RESPONSE: Items purchased of a value over $1,000 are now recorded as fixed assets.
- IC04 noted that bids for major purchases (>$3,000) were not kept on file. RESPONSE: The Sheriff will keep on file bids for all purchases in excess of the limit (now $10,000).
- IC05 noted that a written report on contract revenue is not submitted to the State of Vermont, but that the Sheriff does verbally inform Assistant Judges who the contracts are with. RESPONSE: A report of written contracts has been submitted to the Assistant Judges each year since the last audit.

Non-compliance

- NC01 noted that written contracts for services exceeding 10 days or $2,000 are not obtained.

Franklin County

Robert Norris, Sheriff
Franklin County Sheriff's Dept.
P.O. Box 367
30 Lincoln Ave.
St. Albans, VT 05478

Audit Period: For year ended June 30, 2004
Contractor: R.F. Lavigne & Company, Williston
Date of report: November 12, 2004

Overview

- Two reportable conditions
- One material weakness.
- One issue of non-compliance.

Material Weakness

- MW01 noted that detailed lists of accounts receivable and payable were not generated at the audit date, resulting in an $18,000 audit adjustment. Audit recommended that a contract bookkeeper review month-end reports and supporting documentation. RESPONSE: Lists of accounts receivable and accounts payable are now (as of April 30, 2006) generated monthly and reconciled to the trial balance. The bookkeeper plans to bring in a contract bookkeeper to assist with June 30, 2006 year-end procedures.

Reportable Condition

- RC02 noted that bank reconciliations should be initialed by the Sheriff. This same comment was included in the prior audit. RESPONSE: Effective July 2005, this procedure is being performed.
- RC03 noted that month-end reports for accounts receivable, accounts payable, payroll and general ledger should be printed in hard copy and stored in binders. This same comment was included in the prior audit. RESPONSE: Effective April 2006 accounts receivable and accounts payable reports are printed monthly. Month end reports for general ledger and payroll will be printed effective June 2006.
- NC04 noted that the Department did not prepare a calculation of amounts due to the Sheriff for contract administration. RESPONSE: Effective June 2006, the calculation of payments to the Sheriff for the Administration of Contracts has been established on a database which facilitates the preparation of reports.

Grand Isle County

Connie Allen, Sheriff
Grand Isle Sheriff's Dept.
P.O. Box 168
3677 US Route 2
North Hero, VT 05474

Audit Period: For year ended June 30, 2004
Contractor: R.F. Lavigne & Company, Williston
Date of report: September 3, 2004

Overview

- One reportable condition.
- One issue of non-compliance.

Reportable Condition

- RC01 noted segregation of duties issues in that the bookkeeper is an authorized check signer and suggested that the Sheriff initial bank reconciliations to document review. RESPONSE: Effective July 1, 2005, Sheriff initials all bank reconciliations.

Non-compliance

- NC02 noted that timesheets tested were not signed by the employee. This same comment was included in the prior audit. RESPONSE: Effective July 1, 2005, all timesheets are signed by employees and then approved by the Sheriff or her designee.

Lamoille County

Roger Marcoux, Sheriff
Lamoille County Sheriff's Dept.
P.O. Box 96
222 Main St.
Hyde Park, VT 05655

Audit Period: For year ended June 30, 2004
Contractor: R.F. Lavigne & Company, Williston
Date of report: August 31, 2004

Overview

- Three reportable conditions.
- No material weaknesses.
- One issue of non-compliance.

Reportable Condition

- RC01 noted that back-ups for servers were maintained on-site. RESPONSE: A new back-up drive utility was implemented immediately after the audit. The back-up drive is removed from the premises nightly.
- RC02 noted that the checking account balance ranged between $250,000 and $300,000 in June 2004 and suggested that excess funds not needed immediately be deposited in an interest bearing account. RESPONSES: In October 2005, $100,000 was moved out of the checking account into an account with Smith Barney.
- RC03 noted a segregation of duties issue in that the office manager is the only individual trained in the basic accounting procedures. RESPONSE: In December 2004, an employee was hired to assist the office manager with administrative duties, including those related to accounting.

Non-compliance

- NC04 noted that the Sheriff's Department was not in compliance with employment law that requires the payment of employees no later than six days after the end of the pay period. RESPONSE: Effective November 2005, the pay cycle has been adjusted to be in compliance with this requirement.

Orange County

Dennis McClure, Sheriff
Orange County Sheriff's Dept.
RR 1, Box 30G
Jail Street
Chelsea, VT 05038

Audit Period: For year ended June 30, 2005
Contractor: McSoley, McCoy & Co., South Burlington
Date of report: January 5, 2006

Overview

- Two reportable conditions.
- Three material weaknesses.

Material Weakness

- MW01 noted that Department personnel could not explain certain accounts, leading to write offs, that certain account balances had not been updated since the prior biennial audit, and that net assets did not properly reconcile to prior years. Recommendation that financial statements be reviewed and reconciled monthly. RESPONSE: Department did not receive any adjusting entries from R.F. Lavigne for FYs 02-04. An outside accountant was hired to bring the financial records up to date. The Sheriff believes that the note stating that Department personnel could not explain certain amounts is a misleading statement.
- MW02 noted improper segregation of duties in that bookkeepers have both check signing and record keeping responsibilities. In addition, disbursements are not being approved by a responsible official. This same comment was included in the prior audit. RESPONSE: The Department has a segregation of duties policy that was adopted six years ago under which the Sheriff approves any checks to be written, the bookkeeper cuts the checks and the chief dispatcher signs the checks. Because of the small size of the Department, the bookkeeper ends up signing up to 10% of checks when the chief dispatcher is unavailable. It is planned that at the next routine review of the policy it will be amended so that the Sheriff will sign checks in the chief dispatcher's absence.
- MW03 noted that purchases using the Department credit card lacked sufficient supporting documentation substantiating the validity of the expense. RESPONSE: There are two credit cards. The first is for gas purchases and related items. The second is used for expenses incurred in prisoner extraditions that involve short lead-times. A reinforced credit card policy & procedures will be instituted and re-emphasized.

Reportable Condition

- RC04 noted several aged outstanding checks and suggested that payment on them be stopped. RESPONSE: A policy using this advice will be instituted.
- RC05 noted that fixed asset records include fully depreciated items that are no longer in service that should be removed from the records. RESPONSE: The outside accountant and the Sheriff's staff are working to fix this.

Orleans County

Lance Bowen, Sheriff
Orleans County Sheriff's Dept.
255 Main St.
Newport, VT 05855

Audit Period: For year ended June 30, 2004
Contractor: R.F. Lavigne & Company, Williston
Date of report: December 9, 2004

Overview

- Two reportable conditions.
- Two issues of non-compliance.

Reportable Condition

- RC01 noted that fixed asset records include fully depreciated items that are no longer in service that should be removed from the records. RESPONSE: The bookkeeper now periodically reviews the fixed asset information for items that are fully depreciated, according to the Department.
- RC02 noted that revenues were recorded on a cash rather than accrual basis of accounting. RESPONSE: The bookkeeper is now recording grants on an accrual basis.

Non-compliance

- NC03 noted that estimated contract revenue is reported to Assistant Judges rather than the actual amounts received. REPSONSE: The contracts submitted to the Assistant Judges now report actual revenue received, not an estimate.
- NC04 noted that the Department did not prepare a calculation of amounts due to the Sheriff for contract administration. RESPONSE: The Sheriff's 5% for administration of contracts is now calculated before any payment is received.

Rutland County

Stephen P. Benard, Sheriff
Rutland County Sheriff's Dept.
P.O. Box 303
108 Wales St.
Rutland, VT 05701

Audit Period: For year ended June 30, 2004
Contractor: R.F. Lavigne & Company, Williston
Date of report: August 26, 2004
Also: SAO transition report for the period ended December 16, 2004, dated November 28, 2005

Overview

- No material weaknesses, reportable conditions or instances of non-compliance were noted.
- R.F. Lavigne's audit of the June 30, 2004 statements found one reportable condition and one immaterial instance of non-compliance.
- Both had been resolved prior to SAO's transition audit.

Washington County

W. Samuel Hill, Sheriff
Washington County Sheriff's Dept.
10 Elm Street
P.O. Box 678
Montpelier, VT 05601

Audit Period: For year ended June 30, 2005
Contractor: McSoley, McCoy & Co., South Burlington
Date of report: December 16, 2005

Overview

- Three material weaknesses.
- Three reportable conditions.

Material Weakness

- MW01 noted that the bookkeeper is an authorized check signer which is a violation of the segregation of duties requirements in the Uniform Accounting Manual for County Sheriff's Departments. This same comment was included in the prior two audits. RESPONSE: The Department remains out of compliance with this requirement because the small size of the office requires the bookkeeper to be an authorized signer in case of emergency, according to the Department.
- MW02 noted that the duties of opening the mail and maintaining the accounts receivable detail are not segregated. RESPONSE: The Department is not in compliance with this requirement because there is no other staff member in the office on a regular basis who could take over opening the mail.
- MW03 noted that certain vehicles acquired by the Department in prior years did not appear in the fixed asset records. RESPONSE: All vehicles acquired by the Department are included in the records until retired or sold.

Reportable Condition

- RC04 noted several aged outstanding checks and suggested that payment on them be stopped. RESPONSE: None.
- RC05 noted several instances in which expenditures totaling less than the Department's capitalization policy of $1,000 were capitalized to fixed assets. RESPONSE: None.

- RC06 noted that fixed asset records include fully depreciated items that are no longer in service that should be removed from the records.
  RESPONSE: None.

Windham County

Keith Clark, Sheriff-elect
Windham County Sheriff's Dept.
P.O. Box 266, Route 30
Newfane, VT 05345

Audit Period: For year ended June 30, 2005
Contractor: McSoley, McCoy & Co., South Burlington
Date of report: October 11, 2006

Overview

- No opinion expressed due to ineffective internal controls which limited the scope of the audit work.
- Former Sheriff misappropriated approximately $60,000 of Department assets between 2003 and 2006, as identified in an April 11, 2006 report by the Vermont State Auditor.
- Transactions involved in the misappropriations of a former Sheriff are considered abuse as defined by *Government Auditing Standards*.
- Such abuse was caused by internal controls that were not designed to provide reasonable assurance that resources were applied economically and efficiently; were expended in accordance with applicable laws, regulations, contracts and grants; and were necessary and reasonable.
- Underlying cause of the financial problems experienced by the Department during the past two years was management override of internal controls.
- Cash reserves of $565,000 as of the year ended June 30, 2002 were fully depleted as of June 30, 2004.
- Department's financial condition was impacted by continuous override of the purchasing controls by the former Sheriff, including checks written without supporting documentation or substantiation, personal use of Department cell phone, and personal travel and meal expenses.
- Further, the Department does not produce any periodic financial reports, considered an essential task in any sound accounting system.
- The Department does not prepare an entity wide budget, a key tool for performance measurement and which facilitates control of expenses, and allows for "mid period" adjustments when revenues are less than or greater than expected.

Windsor County

Michael Chamberlain, Sheriff
Windsor County Sheriff's Dept.
P.O. Box 478
62 Pleasant St.
Woodstock, VT 05091

Audit Period: For year ended June 30, 2005
Contractor: McSoley, McCoy & Co., South Burlington
Date of report: January 6, 2005

Overview

- Three reportable conditions.
- No material weaknesses.

Reportable Condition

- Reportable Condition (RC) 01 noted several outstanding checks more than 6 months old and suggested that payment on them be stopped.
- RC02 noted several instances in which expenditures totaling less than the Department's capitalization policy of $1,000 were capitalized to fixed assets.
- RC03 noted that the bank reconciliations, though performed promptly, had no indication of a review. A responsible official outside of the accounting function should review the completed bank reconciliations and indicate approval by signature or initial.

Summary of Financial Statement Information

The tables on the following pages have been assembled with data from financial statement audits of each Sheriff's Department. The Notes to Financial Statements that accompany each audit report (not included here) are an integral part of an audit performed in accordance with Government Auditing Standards and should be requested and considered when evaluating these figures.

Table 2: Summary of Fiscal Year 2004 Statements of Net Assets

June 30, 2004	*Addison*	*Caledonia*	*Essex*	*Franklin*	*Grand Isle*	*Lamoille*	*Orleans*	*Rutland*	*TOTAL*
Assets									
Cash and cash equivalents	$95,651	$29,526	$126,698	$152,823	$53,570	$317,811	$35,628	$19,850	$831,557
Accounts receivable	74,051	42,001	47,797	75,549	39,963	44,743	28,753	204,928	557,785
Due from Sheriffs and Employees	-	-	-	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-	-	-	-
Inventory	30,295	-	-	-	-	-	-	-	30,295
Prepaid expenses	2,810	-	758	4,346	3,731	9,805	5,297	9,832	36,579
Fixed Assets, Net of Accumulated Depreciation	319,880	70,559	101,486	289,456	49,374	571,714	112,447	253,333	1,768,249
Restricted assets	-	13,951	-	-	93,100	5,346	-	157,670	270,067
Total Assets	$522,687	$156,037	$276,739	$522,174	$239,738	$949,419	$182,125	$645,613	$3,494,532
Liabilities and Equity									
Liabilities									
Accounts payable	-	$594	$3,262	$37,891	$3,777	$7,975	$8,923	$64,607	$127,029
Customer deposits	$3,824	-	-	-	-	-	-	-	3,824
Accrued expenses	-	-	-	1,245	-	-	1,834	433	3,512
Accrued payroll and payroll items	7,226	9,223	10,787	36,545	5,962	50,865	31,223	57,053	208,884
Compensated absences payable	9,239	-	-	12,112	-	-	-	47,089	68,440
Deferred revenue	-	1,000	-	-	93,544	-	-	88,915	183,459
Deferred compensation	-	-	-	-		-	-	140,599	140,599
Notes and other debt payable	-	20,435	-	286,001	10,235	36,539	50,082	154,045	557,337
Total Liabilities	20,289	31,252	14,049	373,794	113,518	95,379	92,062	552,741	1,293,084
Equity									
Invested in capital assets	319,880	50,124	101,486	3,455	49,374	535,175	110,619	99,288	1,269,401
Restricted cash	3,818	13,951	-	-	93,100	5,346	-	157,670	273,885
Unrestricted	178,700	60,710	161,204	144,925	(16,254)	313,519	(20,556)	(164,086)	658,162
Total net assets	502,398	124,785	262,690	148,380	126,220	854,040	90,063	92,872	2,201,448
Total Liabilities and Equity	$522,687	$156,037	$276,739	$522,174	$239,738	$949,419	$182,125	$645,613	$3,494,532

Source: Audited Financial Statements of Cited County Sheriff's Departments

Table 3 Summary of Fiscal Year 2004 Statements of Revenue, Expenses, and Changes in Net Assets

For the year ended June 30, 2004	*Addison*	*Caledonia*	*Essex*	*Franklin*	*Grand Isle*	*Lamoille*	*Orleans*	*Rutland*	*TOTAL*
Operating Revenues:									
Charges for services	$677,948	$276,964	$200,112	$1,105,200	$146,332	$1,194,865	$485,751	$1,128,178	$5,215,350
Operating grants	1,000	16,690	56,430	187,622	164,945	198,065	70,756	526,674	1,222,182
County reimbursements	-	-	-	-	34,083	-	-	-	34,083
Miscellaneous revenues	39,616	2,654	1,325	8,010	8,786	2,941	5,864	50,741	119,937
Total operating revenues	718,564	296,308	257,867	1,300,832	354,146	1,395,871	562,371	1,705,593	6,591,552
Operating Expenses:									
Contracted services	490,461	219,194	109,260	357,198	78,411	322,840	173,216	614,239	2,364,819
Process services	14,880	5,368	507	21,189	2,988	16,256	48,991	25,052	135,231
Transportation services	-	-	10,792	52,758	4,376	-	-	-	67,926
Grant expenditures	5,969	3,351	-	144,262	134,389	25,390	-	292,214	605,575
Administration and general	65,731	14,894	76,926	574,230	58,289	314,635	207,672	513,742	1,826,119
Communications services	11,142	3,450	3,833	9,803	18,747	442,833	41,754	38,499	570,061
Automotive services	65,083	20,615	33,178	-	-	42,546	40,507	91,118	293,047
Depreciation	93,953	34,111	29,335	72,831	10,439	130,909	56,550	73,302	501,430
Miscellaneous	-	-	-	-	2,112	-	-	-	2,112
Total operating expenses	747,219	300,983	263,831	1,232,271	309,751	1,295,409	568,690	1,648,166	6,366,320
Net operating gain (loss)	(28,655)	(4,675)	(5,964)	68,561	44,395	100,462	(6,319)	57,427	225,232
Non-operating Revenues (Expenses):									
Miscellaneous	-	1,158	5,100	(545)	-	-	1,095	50	5,758
Gain (loss) on sale of equipment	4,908	(1,723)	(6,139)	2,748	-	-	-	700	494
Interest expense	313	(744)	13	(11,769)	(3,932)	(304)	(2,315)	(9,512)	(28,250)
Total non-operating revenues (expenses)	5,221	(1,309)	(1,026)	(9,566)	(3,932)	(304)	(1,220)	(8,762)	(20,898)
Net income (loss)	(23,434)	(5,984)	(6,990)	58,995	40,463	100,158	(7,539)	48,665	204,334
Prior year adjustment	(21,396)	8,666	-	-	-	-	-	-	(12,730)
Net assets, beginning of year	547,228	122,103	269,680	89,385	85,757	753,882	97,602	44,207	2,009,844
Net assets, end of year	$502,398	$124,785	$262,690	$148,380	$126,220	$854,040	$90,063	$92,872	$2,201,448

Source: Audited Financial Statements of Cited County Sheriff's Departments

Table 4: Summary of Fiscal Year 2005 Statements of Net Assets

June 30, 2005	*Bennington*	*Chittenden*	*Orange*	*Washington*	*Windsor*	*Windham*	*TOTAL*
Assets							
Cash and cash equivalents	$88,189	$261,011	$94,756	$168,099	$294,046	$8,935	$915,036
Accounts receivable	100,681	43,309	20,663	83,645	31,744	79,071	359,113
Due from Sheriffs and Employees	-	-	-	31,254	-	6,006	37,260
Due from Other Governments	-	-	-	-	35,229	55,871	91,100
Inventory	-	-	-	-	-	-	-
Prepaid expenses	-	-	4,680	8,986	11,486	25,338	50,490
Fixed Assets, Net of Accumulated Depreciation	230,627	181,052	111,640	112,274	245,984	178,109	1,059,686
Restricted assets	-	-	13,412	-	7,208	-	20,620
Total Assets	$419,497	$485,372	$245,151	$404,258	$625,697	$353,330	$2,533,305
LIABILITIES and EQUITY							
Liabilities							
Accounts payable	$11,702	$10,351	$4,593	$6,293	$2,119	$68,043	$103,101
Customer deposits	-	10,934	-	-	-	-	10,934
Accrued expenses	-	-	-	-	-	-	-
Accrued payroll and payroll items	15,839	64,245	7,685	32,620	12,295	41,127	173,811
Compensated absences payable	-	-	-	-	-	-	-
Deferred revenue	-	13,592	13,341	-	-	-	26,933
Deferred compensation	-	-	-	-	-	-	-
Notes and other debt payable	143,983	71,986	4,757	24,440	35,448		280,614
Total Liabilities	171,524	171,108	30,376	63,353	49,862	109,170	595,393
Equity							
Invested in capital assets	101,244	109,156	106,883	87,834	210,536	178,109	793,762
Restricted cash	-	-	13,412	-	7,208	-	20,620
Unrestricted	146,729	205,108	94,480	253,071	358,091	66,051	1,123,530
Total net assets	247,973	314,264	214,775	340,905	575,835	244,160	1,937,912
Total Liabilities and Equity	$419,497	$485,372	$245,151	$404,258	$625,697	$353,330	$2,533,305

Source: Audited Financial Statements of Cited County Sheriff's Departments

Table 5: Summary of Fiscal Year 2005 Statements of Revenue, Expenses, and Changes in Net Assets

For the year ended June 30, 2005	*Bennington*	*Chittenden*	*Orange*	*Washington*	*Windsor*	*Windham*	*TOTAL*
Operating Revenues:							
Charges for services	$1,123,697	$671,609	$284,400	$697,561	$708,503	$546,220	$4,031,990
Operating grants	39,497	117,813	106,305	144,208	136,007	284,480	828,310
County reimbursements	103,000	-	-	-	-	218,817	321,817
Miscellaneous revenues	19,176	11,841	31,266	19,806	11,889	232,244	326,222
Total operating revenues	1,285,370	801,263	421,971	861,575	856,399	1,281,761	5,508,339
Operating Expenses:							
Contracted services	691,512	198,829	155,483	142,185	275,468	700,886	2,164,363
Process services	20,331	112,610	37,307	64,671	33,609	24,762	293,290
Transportation services	80,361	56,775	14,462	391,330	28,993	-	571,921
Grant expenditures	139,090	79,472	21,697	-	30,742	-	271,001
Administration and general	163,001	212,743	62,582	79,658	207,064	264,231	989,279
Communications services	5,320	-	13,253	17,550	17,178	234,464	287,765
Automotive services	98,852	85,447	40,661	58,879	79,071	123,685	486,595
Miscellaneous	-	-	-	-	-	25,943	25,943
Depreciation	83,654	55,265	27,067	48,931	96,022	121,455	432,394
Total operating expenses	1,282,121	801,141	372,512	803,204	768,147	1,495,426	5,522,551
Net operating gain (loss)	3,249	122	49,459	58,371	88,252	(213,665)	(14,212)
Non-operating Revenues (Expenses):							
Gain (loss) on sale of equipment	20,064	-	500	400	(4,294)	10,446	27,116
Interest income	-	-	-	-	-	1,344	1,344
Interest expense	(3,365)	(1,036)	-	(627)	(3,861)	(773)	(9,662)
Total non-operating revenues (expenses)	16,699	(1,036)	500	(227)	(8,155)	11,017	18,798
Net income (loss)	19,948	(914)	49,959	58,144	80,097	(202,648)	4,586
Extraordinary item	-	-	-	-	-	(41,898)	(41,898)
Net loss after extraordinary item	-	-	-	-	-	(244,546)	(244,546)
Net assets, beginning of year	228,025	315,178	164,816	282,761	495,738	464,860	1,951,378
Prior year restatement	-	-	-	-	-	23,846	23,846
Net assets, end of year	$247,973	$314,264	$214,775	$340,905	$575,835	$244,160	$1,937,912

Source: Audited Financial Statements of Cited County Sheriff's Departments

Table 6: Summary of Fiscal Year 2006 Statements of Net Assets

June 30, 2006	*Addison*	*Caledonia*	*Essex*	*Franklin*	*Grand Isle*	*Lamoille*	*Orleans*	*Rutland*	*TOTAL*
Assets									
Cash and cash equivalents	$185,303	$39,763	$105,561	$14,552	$68,625	$526,039	$26,519	$41,896	$1,008,258
Accounts receivable	48,494	33,384	46,628	55,422	16,076	27,067	13,983	135,613	376,667
Other current assets	-	-	-	-	-	-	6,311	-	6,311
Certificate of deposit	-	-	-	-	-	65,830	-	-	65,830
Due from Other Governments	-	-	-	-	12,761	-	-	-	12,761
Inventory	8,992	-	-	-		-	-	-	8,992
Prepaid expenses	12,971	5,492	10,977	22,359	6,143	7,758	-	53,139	118,839
Fixed Assets, Net of Accumulated Depreciation	205,483	110,314	131,095	312,040	62,907	746,022	108,448	192,983	1,869,292
Restricted assets	13,904	-	-	-	-	53,165	-	73,625	140,694
Total Assets	$475,147	$188,953	$294,261	$404,373	$166,512	$1,425,881	$155,261	$497,256	$3,607,644
Liabilities and Equity									
Liabilities									
Current Installments of long-term debt	-	$12,923	-	$70,779	-	-	$13,250	$21,229	$118,181
Accounts payable	$18,072	-	$2,665	18,959	$2,016	$27,503	1,474	66,767	137,456
Other current liabilities	-	-	-	-	-	-	-	60,412	60,412
Customer deposits	2,003	-	-	-	-	-	-	-	2,003
Accrued expenses	-	-	-	-	-	-	-	-	-
Accrued payroll and payroll items	14,604	11,904	11,372	70,479	12,665	37,119	37,667	52,885	248,695
Compensated absences payable	9,882	-	-	-	-	-	-	-	9,882
Deferred revenue	-	-	-	15,640	5,084	-	-	-	20,724
Deferred compensation	-	-	-	-	-	-	-	73,625	73,625
Notes and other debt payable	-	3,389	-	191,828	-	-	6,050	63,048	264,315
Total Liabilities	44,561	28,216	14,037	367,685	19,765	64,622	58,441	337,966	935,293
Equity									
Invested in capital assets	205,483	94,002	131,095	49,433	62,907	-	89,147	108,706	740,773
Restricted cash	13,904	10,220	-	-	-	53,165	-	73,625	150,914
Unrestricted	211,199	56,515	149,129	(12,745)	83,840	1,308,094	7,673	(23,041)	1,780,664
Total net assets	430,586	160,737	280,224	36,688	146,747	1,361,259	96,820	159,290	2,672,351
Total Liabilities and Equity	$475,147	$188,953	$294,261	$404,373	$166,512	$1,425,881	$155,261	$497,256	$3,607,644

Source: Audited Financial Statements of Cited County Sheriff's Departments

Table 7: Summary of Fiscal Year 2006 Statements of Revenue, Expenses, and Changes in Net Assets

For the year ended June 30, 2006	*Addison*	*Caledonia*	*Essex*	*Franklin*	*Grand Isle*	*Lamoille*	*Orleans*	*Rutland*	*TOTAL*
Operating Revenues:									
Charges for services	$317,528	$275,553	$254,725	$1,083,353	$250,879	$1,445,645	$398,364	$1,221,048	$5,247,095
Jail Revenues	251,861	-	-	211,426	-	-	-	-	463,287
Communications	11,693	-	-	-	-	-	-	-	11,693
Transport Services	52,284	34,070	-	-	-	-	-	-	86,354
Process Services	39,771	31,650	-	-	-	-	-	-	71,421
Operating grants	7,255	32,801	61,078	342,217	103,186	246,559	111,482	297,301	1,201,879
County reimbursements	2,600	-	-	116,834	-	60,693	-	-	180,127
Miscellaneous revenues	14,337	2,337	695	21,950	1,244	31,448	2,090	2,383	76,484
Total operating revenues	697,329	376,411	316,498	1,775,780	355,309	1,784,345	511,936	1,520,732	7,338,340
Operating Expenses:									
Contracted services	246,708	147,841	279,593	804,218	180,753	478,297	185,720	464,192	2,787,322
Process services	19,548	19,248	-	49,134	3,230	14,667	49,699	27,866	183,392
Transportation services	-	28,827	-	-	6,672	3,368	-	8,446	47,313
Grant expenditures	-	-	-	168,309	83,067	13,160	18,751	292,744	576,031
Administration and general	86,949	64,869	8,732	266,638	15,419	359,665	150,148	425,523	1,377,943
Jail services	237,941	-	-	331,559	-	-	-	-	569,500
Communications services	9,317	4,265	-	22,880	-	540,848	39,125	72,441	688,876
Automotive services	47,107	39,413	23,257	127,009	30,124	57,454	45,691	99,838	469,893
Depreciation	90,288	30,542	42,911	95,128	20,673	151,744	57,823	74,137	563,246
Total operating expenses	737,858	335,005	354,493	1,864,875	339,938	1,619,203	546,957	1,465,187	7,263,516
Net operating gain (loss)	(40,529)	41,406	(37,995)	(89,095)	15,371	165,142	(35,021)	55,545	74,824
Non-operating Revenues (Expenses):									
Gain (loss) on sale of equipment	11,061	-	(31)	(3,951)	250	9,916	520	1,479	19,244
Interest expense	315	(1,405)	-	(11,255)	618	(783)	(833)	(2,764)	(16,107)
Total non-operating revenues	11,376	(1,405)	(31)	(15,206)	868	9,133	(313)	(1,285)	3,137
Net income (loss)	(29,153)	40,001	(38,026)	(104,301)	16,239	174,275	(35,334)	54,260	77,961
Prior year adjustment	-	-	(7,400)	-	-	-	45,753	-	38,353
Net assets, beginning of year	459,739	120,736	318,250	140,989	130,508	1,186,984	86,401	105,030	2,548,637
Net assets, end of year	$430,586	$160,737	$280,224	$36,688	$146,747	$1,361,259	$96,820	$159,290	$2,672,351

Source: Audited Financial Statements of Cited County Sheriff's

Recommendations

We recommend that the following actions be taken, with implementation responsibility as indicated:

- Accounting and Oversight: Commissioner of Finance and Management
  - Revise and simplify the Vermont Sheriffs' Association *Uniform Accounting Manual* accounting manual
  - Create meaningful quarterly reporting
  - Create a consistent chart of accounts
  - Select a common software platform by March 2007
- Audit: Auditor of Accounts
  - Recommend to the General Assembly an annual audit requirement to replace current biennial requirement
  - Propose deadline for reporting of audit results
  - Define annual areas of audit emphasis
  - Create follow-up process to ensure resolution of outstanding audit findings
  - Create an annual attestation process
- Legal and Investigative: Attorney General
  - Propose appropriate changes in criminal law
  - Propose expansion of Auditor's subpoena authority
  - Propose legislative agenda derived from each task area
- Training and Support: Commissioner of Finance & Management
  - Define training requirement and needs

- Develop training plan for new Sheriffs
- Develop on-going training programs and identify resources
- Schedule training for Sheriffs and bookkeepers and office managers
- Develop recurring training plan

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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.

Any questions or comments about this report can be directed to the State Auditor's Office at 828-2281 or via e-mail at auditor@sao.state.vt.us.