

February 1, 2021

Sheriff Trevor Colby
Essex County Sheriff's Department
Guildhall, Vermont

We have audited the financial statements of the business-type activities of Essex County Sheriff's Department (the "Department") for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 12, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates used by management.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes corrected misstatements of the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 1, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the information and use of the Department's management and the Sheriff and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



McSoley McCoy & Co.

Client: *Vermont Sheriff Departments*
Engagement: *AUD - Essex County Sheriff's Department*
Trial Balance: *TB*
Workpaper: *3700.05 - Adjusting Journal Entries Report*

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To adjust beginning account balance of AR			
11000	Accounts Receivable	12,069.00	
30020	Retained Earnings		12,069.00
Total		<u>12,069.00</u>	<u>12,069.00</u>
Adjusting Journal Entries JE # 2			
To remove duplicated outstanding activity adjusted in prior year			
10008	PSB Checking 5221000354	7,054.00	
30020	Retained Earnings		7,054.00
Total		<u>7,054.00</u>	<u>7,054.00</u>
Adjusting Journal Entries JE # 3			
To adjust for COPS grant funds received during the year			
11000	Accounts Receivable	28,079.00	
40101	COPS		28,079.00
Total		<u>28,079.00</u>	<u>28,079.00</u>
Adjusting Journal Entries JE # 4			
To record additional revenue received in the year recorded in July 2020			
11000	Accounts Receivable	1,388.00	
40100	ATV Patrol		1,388.00
Total		<u>1,388.00</u>	<u>1,388.00</u>
Adjusting Journal Entries JE # 5			
To adjust beginning balance of accrued payroll			
24000	Payroll Liabilities	1,881.00	
30020	Retained Earnings		1,881.00
Total		<u>1,881.00</u>	<u>1,881.00</u>

Adjusting Journal Entries JE # 6

To adjust year-end balance of accrued payroll

53000	Payroll Expenses	1,848.00	
24000	Payroll Liabilities		1,848.00
Total		<u>1,848.00</u>	<u>1,848.00</u>

Adjusting Journal Entries JE # 7To record liability at year-end to US Treasury and VT
Department of Taxes

53000	Payroll Expenses	2,518.00	
20000	Accounts Payable		2,518.00
Total		<u>2,518.00</u>	<u>2,518.00</u>

Adjusting Journal Entries JE # 8

To adjust account balance for revenue earned in prior year

40110	Court Security	5,802.00	
30020	Retained Earnings		5,802.00
Total		<u>5,802.00</u>	<u>5,802.00</u>

Adjusting Journal Entries JE # 9

To adjust account balance for revenue earned in prior year

40105	Budget Reimbursement	13,646.00	
30020	Retained Earnings		13,646.00
Total		<u>13,646.00</u>	<u>13,646.00</u>

Adjusting Journal Entries JE # 10

To adjust account balance for revenue earned in prior year

40149	Transport	3,197.00	
30020	Retained Earnings		3,197.00
Total		<u>3,197.00</u>	<u>3,197.00</u>

Adjusting Journal Entries JE # 11

To record cash on hand at year-end

10040	Cash on Hand	3,010.00	
40125	Other Income		3,010.00
Total		<u>3,010.00</u>	<u>3,010.00</u>

Adjusting Journal Entries JE # 12

To record disposal of assets in FY19

13000	AD Equipment	74,823.00	
13001	AD Office	3,304.00	
13002	AD Vehicles	11,237.00	
16100	Office Equipment		3,304.00
16200	Equipment		74,823.00
16300	Vehicle		11,237.00
Total		89,364.00	89,364.00

Adjusting Journal Entries JE # 13

To reclass erroneously recorded vehicle addition

16300	Vehicle	5,250.00	
13002	AD Vehicles		5,250.00
Total		5,250.00	5,250.00

Adjusting Journal Entries JE # 14

To true-up fixed asset account, accumulated depreciation and record depreciation for the year

16300	Vehicle	950.00	
30020	Retained Earnings	26,279.00	
70000	Depreciation	23,722.00	
13000	AD Equipment		5,562.00
13001	AD Office		119.00
13002	AD Vehicles		45,270.00
Total		50,951.00	50,951.00

Adjusting Journal Entries JE # 15

To removed prior year adjustment to account

30020	Retained Earnings	274.00	
12100	Inventory Asset		274.00
Total		274.00	274.00

Adjusting Journal Entries JE # 16

To record sale of vehicle in prior year

11000	Accounts Receivable	1,050.00	
30020	Retained Earnings		1,050.00
Total		1,050.00	1,050.00

Adjusting Journal Entries JE # 17

To adjust account balance for Town of Concord revenue earned
in prior year

40107	Contracted Services	4,294.00	
30020	Retained Earnings		<u>4,294.00</u>
Total		<u>4,294.00</u>	<u>4,294.00</u>

Essex County Sheriff's Department

Financial Statements
(With Independent Auditors' Report)

For the Year Ended June 30, 2020

Essex County Sheriff's Department
Financial Statements
June 30, 2020

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Independent Auditors' Report

Trevor Colby, Sheriff
Essex County Sheriff's Department
Guildhall, Vermont

We have audited the accompanying financial statements of the business-type activities of the Essex County Sheriff's Department (the "Department") of the County of Essex, Vermont, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Department, as of June 30, 2020 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Governmental Accounting Standards Board (GASB) 68 requires employers to present extensive note disclosures and other required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the liability. As discussed in Note 8, the Department participates in the Vermont Municipal Employees' Retirement Plan. The Department has not determined the impact of adopting GASB 68. Our opinion is not modified in respect to this matter.



South Burlington, Vermont
February 1, 2021
VT Reg. No. 92-349

Essex County Sheriff's Department
Statement of Net Position
June 30, 2020

Assets:

Current assets

Cash and cash equivalents	\$ 199,700
Accounts receivable, net of an allowance of \$1,000	<u>41,776</u>

Total current assets	241,476
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Vehicles and equipment, net of accumulated depreciation	<u>34,981</u>
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Total assets	<u>276,457</u>
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Liabilities:

Current liabilities

Accounts payable	3,842
Accrued expenses	<u>1,371</u>

Total liabilities	<u>5,213</u>
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Net position:

Net investment in capital assets	34,981
Unrestricted	<u>236,263</u>

Total net position	<u><u>\$ 271,244</u></u>
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See accompanying notes to the financial statements.

Essex County Sheriff's Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

Operating revenues:	
Charges for services	\$ 269,622
Operating grants	13,538
Miscellaneous revenues	<u>6,094</u>
Total operating revenues	<u>289,254</u>
 Operating expenses:	
Contracted services	218,215
Administration and general	37,002
Automotive services	17,792
Depreciation	<u>23,722</u>
Total operating expenses	<u>296,731</u>
Net loss	(7,477)
Net position, beginning of year	<u>278,721</u>
Net position, end of year	<u><u>\$ 271,244</u></u>

See accompanying notes to the financial statements.

Essex County Sheriff's Department
Statement of Cash Flows
For the Year Ended June 30, 2020

Operating activities:

Cash received from customers	\$ 285,798
Cash received from operating grants	13,538
Cash payments to suppliers for goods and services	(86,044)
Cash payments to employees for services	<u>(184,854)</u>
Net cash provided by operating activities	<u>28,438</u>

Cash flows from capital and financing activities:

Other town contract proceeds	4,294
Purchases of vehicles	<u>(5,250)</u>
Net cash used for capital and financing activities	<u>(956)</u>
Net increase in cash	27,482
Cash and cash equivalents, beginning of year	<u>172,218</u>
Cash and cash equivalents, end of year	<u><u>\$ 199,700</u></u>

Reconciliation of operating loss to net cash provided by operating activities:

Net loss	\$ <u>(7,477)</u>
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation	23,722
Decrease in accounts receivable	8,060
Increase in accounts payable	3,412
Increase in accrued expenses	<u>721</u>
Total adjustments	<u>35,915</u>
Net cash provided by operating activities	<u><u>\$ 28,438</u></u>

See accompanying notes to the financial statements.

Essex County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The Essex County Sheriff's Department (the "Department") is a governmental entity operating under Title 24 Vermont Statutes Annotated Section 290 located in the County of Essex, Vermont. Funding is provided by the State of Vermont and the County of Essex. Operating revenue is generated by service charges, some of which are set by state statute and others are set by the Department. Included among the duties performed by the Department are contracting to provide law enforcement services; security services; control dispatching and other centralized support services; service of lawful writs, warrants and processes; and transportation of prisoners and the mentally disabled.

In March 2020, a worldwide pandemic was declared due to the spread of COVID-19. The Department was deemed an essential business under the Governor's Stay Home Stay Safe order and incurred expenses to ensure the Department's staff were safe while conducting normal business, and, as a result, focused on curtailing expenses to the greatest extent possible.

(a) Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. The Department's revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources, as needed.

(b) Basis of presentation

The Department accounts for ongoing operations and activities using proprietary fund accounting, a method developed with the economic resources measurement focus. This focus is similar to accounting methods used in the private sector.

(c) Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Essex County Sheriff's Department
Notes to Financial Statements
June 30, 2020

Summary of Significant Accounting Policies (continued)

(d) Cash and cash equivalents

For the purpose of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents. In addition, the Department considers all certificates of deposit to be cash equivalents.

(e) Vehicles and equipment

Vehicles and equipment are recorded at cost with depreciation computed using the straight-line method over their estimated useful lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as nonoperating activity for the period. The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments over \$5,000 are capitalized.

Estimated useful lives by major classification are as follows:

Office furniture	5 years
Communication equipment	5-7 years
Vehicles	5 years

(f) Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Department or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position for proprietary funds represents the net position available for future operations or distributions.

(g) Accounts receivable

Significant receivables include amounts due from state, town, and contractor contracts. These receivables are due within one year. The Department has recorded an allowance of \$1,000 for uncollectible accounts at June 30, 2020.

(h) Subsequent events

The Department evaluated subsequent events through February 1, 2021, the date the Department's financial statements were available to be used.

Essex County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(2) Cash and Categories of Risk

There are three categories of credit risk that apply to the Department's balance:

1. Insured by the FDIC or collateralized with securities held by the Department or by the Department's agent in the Department's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the Department's name.
3. Uncollateralized.

The Department's bank balances are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2020.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 196,690	\$ 205,003
Cash on hand	3,010	-
Uninsured deposits	<u>-</u>	<u>-</u>
 Total cash deposits	 <u>\$ 199,700</u>	 <u>\$ 205,003</u>

(3) Vehicles and Equipment

Vehicles and equipment are summarized as of June 30, 2020 by major classifications as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 213,651	\$ 5,250	\$ -	\$ 218,901
Equipment	<u>112,394</u>	<u>-</u>	<u>-</u>	<u>112,394</u>
Total vehicles and equipment	326,045	5,250	-	331,295
Less accumulated depreciation	<u>(272,592)</u>	<u>(23,722)</u>	<u>-</u>	<u>(296,314)</u>
Vehicles and equipment, net	<u>\$ 53,453</u>	<u>\$ (18,472)</u>	<u>\$ -</u>	<u>\$ 34,981</u>

(4) Cost Sharing

Under Vermont law, Essex County and the State of Vermont are required to cover certain costs of the Essex County Sheriff's Department. Such costs include the Sheriff's salary and benefits, administrative salary and benefits, office space, certain automotive expenses and others. The amount expended by the County and State during the year ended June 30, 2020 has not been determined.

Essex County Sheriff's Department

Notes to Financial Statements

June 30, 2020

(5) Operating Grants

The Essex County Sheriff's Department received grants from the U.S. Government and other grantors. Entitlements to the resources are generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditures of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors.

Any disallowance as a result of these audits becomes a liability of the Department. As of June 30, 2020, management believes that no material liabilities will result from such audits.

(6) Risk Management

The Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Department maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims have not materially exceeded this commercial coverage in any of the past three fiscal years.

(7) Related Party Transactions

The Department utilizes the services of a company that is owned by the Sheriff's cousin. During the year ended June 30, 2020, the Department incurred expenses totaling \$6,924 for repairs and maintenance. As of June 30, 2020, there were no amounts outstanding. Management believes these transactions are at arm's length.

(8) Retirement Plan

The Department participates in the Vermont Municipal Employees Retirement System (VMERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Vermont.

VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Retirement System Division of the Vermont State Treasurer's Office issues a publicly available financial report that includes financial statements and required supplementary information for VMERS. That report may be obtained by writing to Retirement System Division, Vermont State Treasurer's Office, 133 State Street, Montpelier, Vermont 05602.

Plan members (Department employees) are required to contribute 10.25% of their annual covered compensation and the Department is required to contribute at an actuarially determined rate. The current rate is 7.5% of annual covered payroll. The contribution requirements of plan members and the Department are established and may be amended by the Retirement Board, Vermont Municipal Employees Retirement System.

Essex County Sheriff's Department
Notes to Financial Statements
June 30, 2020

Retirement Plan (continued)

GASB 68 requires employers to present extensive note disclosures and other required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the liability. The Department has not determined the impact of adopting GASB 68.

Contributions made to VMERS by the Department for the year ended June 30, 2020 amounted to \$9,336.

(9) Uncertainty

COVID-19 continues to cause financial market unrest as the economy slowly begins to open back up. The ultimate impact of this event on the Department's operations and financial statements is unknown as of the date of the auditors' report.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Trevor Colby, Sheriff
Essex County Sheriff’s Department
Guildhall, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Essex County Sheriff’s Department (the “Department”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements, and have issued our report thereon dated February 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Department’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-002, 2020-003, and 2020-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Essex County Sheriff's Department's Response to Findings

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

Purpose of this Report

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



South Burlington, Vermont
February 1, 2021
VT Reg. No. 92-349

Essex County Sheriff's Department
Schedule of Findings and Questioned Costs
June 30, 2020

Finding 2020-001: Accounting Function

Condition:

The Department's accounting is not operating consistently and effectively to produce financial statements in accordance with U.S. GAAP. During our audit, we proposed several adjusting journal entries. The magnitude and scope of these adjustments makes it difficult to produce timely and accurate internal financial information on which management can rely. We also believe it hinders management to properly perform its financial role and properly operate the Department. It also increases the Department's exposure to fraud and irregularities.

Recommendation:

We recommend the Department place more emphasis on the importance of the accounting function and accuracy of financial reporting, especially with debt, accruals, revenue and fixed assets. We recommend all staff involved with the accounting function receive formal training.

Finding 2020-002: Lack of Supporting Documentation and Proper Approval

Condition:

The Department does not properly maintain records to support transactions such as grants, donations and reconciliation of cash on hand, which increases the risks associated with incorrectly recorded transactions. Additionally, we noted instances where disbursements and personnel timesheets were not properly documented as approved by the Sheriff.

Recommendation:

We recommend the Department establish procedures to retain documentation relevant to the financial statements and adhere to their policy regarding the proper approval of disbursements and timesheets.

Finding 2020-003: Stale Items in Accounts Receivable and Accounts Payable Aging and Cash Reconciliations

Condition:

During our test work, we noted that the accounts receivable aged listing included balances with a related credit, thus netting to zero. Additionally, the accounts payable listing included balances with a related debit, thus netting to zero. The accounts receivable and accounts payable aged listings are a useful tool to monitor the aging of invoices/payables. However, these balances with related debits/credits convolutes the listing. Additionally, one cash reconciliation did not tie to the general ledger and reconciling items were stale.

Recommendation:

We recommend the Department establish procedures to periodically review corresponding reports to ensure they properly reconcile to the financial statements.

Finding 2020-004: Lack of Segregation of Duties

Condition:

Due to the small size of the Department, there is a lack of segregation of duties within the cash receipts, disbursements and recordkeeping areas.

Recommendation:

We recommend the Department separate these closely related functions to improve internal control in these particular areas. The following procedures could be enacted to improve segregation of duties over cash receipts, disbursements and recordkeeping:

- The Sheriff, who is not involved in the accounting function, should open the mail, maintain the list of all receipts, and restrictively endorse all items received as “for deposit only”. This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited. This process would also allow the Sheriff to review the bank statement prior to the reconciliation process.
- Someone other than the check preparer and signor should mail all payments. This will ensure that all checks reach their approved designated party.
- Payments and use of accounts should be restricted to the authorized signer or a second approval should be required for this type of transactions to avoid potential misappropriation of the Department’s assets.



ESSEX COUNTY SHERIFF'S DEPARTMENT

STATE OF VERMONT

Trevor Colby

Sheriff

91 Court House Dr

Guildhall, VT 05905

Tel: (802) 676-3500

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**Essex County Sheriff's Department
Management's Corrective Action Plan
For the Year Ended June 30, 2020**

2020-001: Accounting Function

The issue raised here primarily deals with adjusting entries from the previous audit being booked into the wrong period. Also our record keeping functions of period closing. All transactions are recorded. There is no challenge in understanding financial position or assets. The department will work with the county on accessing additional training on period closing and JE functions for accounting staff.

2020-002: Lack of Supporting Documentation and Proper approval

The department will disagree with the auditors finding. Our grants are regularly audited by the granting agencies to ensure that there is back up documentation for the grant expenditures. With a small department the Sheriff is the only person authorized to sign checks and thereby approves expenditures in payroll at the time he signs the check. There is no need to sign to approve the payroll and also sign the checks.

The department does agree that there were two areas where the booking of donations needs a procedure and training for staff. Collected donations were booked directly into revenue and should be classified more effectively. We also had an asset sale which two payments were made and crossed a fiscal year where the payment was placed in income but not offsetting the asset. These two areas will be addressed for future training on appropriate recording in the financial system.

2020-003: Stale items in Accounts Receivable and Accounts Payable Aging and Cash Reconciliations

The department in the past two years has been proactively reviewing AR and AP accounts. This is an area impacted by prior coding challenges including the JE's from the prior year audit. There is not an issue with the existing review. The previously noted JE training should resolve corrections to the Dept. Financial reports.

2020-004: Lack of Segregation of Duties



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These audit findings are unrealistic for small departments. There are no intended changes. The Sheriff has called the State Auditors' office to request a letter go out to Auditors with guidance addressing the unique circumstances of small departments. See prior audit remarks for the last 10 years.