



Auditor of Public Accounts
Adam H. Edelen

FOR IMMEDIATE RELEASE

Contact: **Stephenie Hoelscher**
stephenie.hoelscher@ky.gov
502.564.5841
502.209.2867

Edelen Releases Audit of Former Ballard County Sheriff's Office

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of former Ballard County Sheriff Todd Cooper, for the period January 1, 2014 through January 4, 2015. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account and the other reporting on the audit of the fee account used to operate the office.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the former Ballard County Sheriff in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Sheriff did not follow this format; however, the Sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

The former Ballard County Sheriff's office had a lack of adequate segregation of duties. The former Sheriff's office had a lack of adequate segregation of duties. Due to a limited number of staff, the Sheriff's bookkeeper was required to perform multiple tasks such as the collection of cash from customers, daily checkout procedures, the bookkeeping function, monthly bank reconciliations, the preparation of checks for disbursements, and the preparation of monthly and quarterly reports.

Segregation of duties over these tasks is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. When proper segregation of duties cannot be achieved due to a limited number of staff, compensating controls can be implemented to provide an effective alternative.

Given the fact that the former Sheriff had a limited staff and proper segregation was not achievable without the hiring of additional employees, the former Sheriff should have implemented compensating controls to reduce the risk of misappropriation of assets associated with the lack of segregation of duties. Compensating controls such as strong oversight by the former Sheriff or a designee could have been an effective alternative. This oversight should have included reviewing daily checkout procedures, monthly bank reconciliations, receipts and disbursements ledgers, and the quarterly reports. Documentation, such as the former Sheriff or a designee's initials or signature, should have been provided on those items that were reviewed.

Former Sheriff's response: No response.

The former Sheriff was not paid his salary in accordance with KRS 64.5275 and KRS 64.535. Audit procedures revealed the former Sheriff was not receiving one-twelfth of his salary each month. Instead, the former Sheriff was only paid a partial amount of his salary each pay period in order to keep payroll costs low because of a lack of fees. The former Sheriff was then paid a portion of his salary at year-end with a balance still due to the former Sheriff for his calendar year 2014 salary.

KRS 64.5275(2) states, "the maximum salary of county judges/executive, county clerks, jailers who operate a full service jail, and sheriffs shall be fixed by the Department for Local Government according to a salary schedule in accordance with Section 246 of the Kentucky Constitution." KRS 64.535 states, "The county judge/executive, clerk, jailer who operates a full service jail, and sheriff shall receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275." Because the former Sheriff was not paid his full monthly salary and he did not receive his full salary for 2014, the former Sheriff was not in compliance with KRS 64.5275 or KRS 64.535. The former Sheriff should have obtained the necessary funds from Fiscal Court to fulfill his payroll obligations for 2014 in order to be in compliance with KRS 64.5275.

Former Sheriff's Response: No response.

The former Sheriff was not paid in accordance with KRS 134.215 for the period of January 1, 2014 through January 4, 2015. Audit procedures revealed the former Sheriff received a full month salary for the time period January 1, 2015 through January 4, 2015. According to Section 99 of the Kentucky Constitution, "at the regular election in nineteen hundred and ninety-eight and every four years thereafter, there shall be elected in each county a Judge of the County Court, a County Court Clerk, a County Attorney, Sheriff, Jailer, Coroner, Surveyor and Assessor, and in each Justice's District one Justice of the Peace and one Constable, who shall enter upon the discharge of the duties of their offices on the first Monday in January after their election, and who shall hold their offices four years until the election and qualification of their successors," causing the former Sheriff to hold office until January 4, 2015.

KRS 134.215(5) states, “The outgoing sheriff shall be paid in accordance with KRS 64.140 and 64.530 the reasonable expenses actually incurred in preparing the receipt required under this section. Reasonable expenses actually incurred may include office expenses and salaries of himself or herself, deputies, and employees paid in accordance with the schedule of the previous year or the amount paid an auditor necessary in determining, verifying, and recording the unpaid and partially paid tax claims turned over to the incoming sheriff.” Because the former Sheriff was paid his full monthly salary instead of a prorated amount for the January 1, 2015 through January 4, 2015, time period, the former Sheriff was not in compliance with KRS 134.215(5); therefore, we recommend the former Sheriff repay the Fiscal Court \$4,438 for this overpayment.

Former Sheriff's response: No response.

Interest on bank loans is not an allowable expense of fee offices. The former Sheriff had a line of credit with a local bank that was used for the operation of the Sheriff's office. According to the receipts and disbursements ledgers, the former Sheriff borrowed \$25,000 on this line of credit and paid \$680 in interest and late charges. The former Sheriff also used credit cards for many of his purchases, incurring \$122 in interest and late charges.

As part of Funk vs. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Given the fact that interest on loans and credit cards are not considered a necessary expense of a fee office by the Department for Local Government (DLG), the \$802 of interest and late charges paid are not allowable.

As an alternative to borrowing funds from a local bank, the former Sheriff could have increased his state advancement amount, coordinated with Fiscal Court to pay invoices or supplement his office, or reduce the overall obligation of the Sheriff's office. By doing one or more of these options, the former Sheriff could have eliminated the need to borrow funds that incur interest. For interest on credit cards, the former Sheriff could have paid invoices on time each month to avoid incurring any late charges. The Former Ballard County Sheriff had \$802 of disallowed expenditures for calendar year 2014 resulting from interest and late charges paid on line of credit and credit cards. Disallowed expenditures should be repaid with a deposit of personal funds. We recommend the former Sheriff repay \$802 from his personal funds to the Ballard County Fiscal Court.

Former Sheriff's response: No response.

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

