



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Greenup County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Greenup County Sheriff Keith Cooper. 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.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements, and excess fees of the Greenup County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement 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 Sheriff Has \$12,471 Of Disallowed Disbursements From The Special Enforcement Account And Did Not Have Adequate Controls Over The Account. The sheriff does not have adequate controls over the drug enforcement account. The sheriff did not maintain documentation to support receipts and disbursements of the drug enforcement account, which has resulted in \$12,471 of disallowed disbursements. The following problems were noted:

- The sheriff withdrew cash in the amount of \$12,300 from the drug enforcement account and did not maintain any documentation to support how this cash was used.

- The sheriff wrote a check to an individual for \$171 without supporting documentation.
- The sheriff did not maintain receipts and disbursements ledgers for the drug enforcement account.

KRS 218A.420(4)(a) requires drug funds forfeited to the sheriff's office to be used for "direct law enforcement purposes." Also, KRS 134.160 requires the sheriff to keep an accurate account and maintain support of all moneys received and disbursed from his office. Without maintaining supporting documentation, there is no way to determine if these disbursements and cash payments were for law enforcement purposes and not used for personal expenses.

We recommend the sheriff maintain copies of court cases, receipts, invoices, etc. applicable to each receipt and disbursement of the drug enforcement account, and maintain a receipts and disbursements ledger which makes reference to the source of the receipt (such as court case number and date), as well as documentation for any disbursement made out of the drug enforcement account. We recommend the sheriff improve controls over his drug enforcement account and ensure that all receipts and disbursements have proper documentation in the future. We further recommend the sheriff deposit personal funds in the amount of \$12,471 in the special enforcement account and ensure that deposits and disbursements are made properly in the future. This finding will be referred to the Kentucky Office of Attorney General for further review.

Sheriff's Response: It is becoming more apparent every year that the Auditor's Office is going to repeat the same things every time they examine our records.

The primary problem is with the special enforcement account which has zero to do with what the Auditor's Office typically examines, and is completely separate from any taxpayer funds. It is 100% generated from money seized and forfeited by dopers and is used to fund undercover investigations.

The buys I make during these investigations are all in cash, and it is ludicrous to expect me to have receipts from these thugs. I will be killed on the spot.

I have explained this on numerous occasions. I will not explain it again.

I understand this is your job. I will continue to do mine.

Auditor Reply: Forfeiture funds become public funds upon being transferred to the sheriff's office. These funds are subject to the same requirements that apply to handling other public funds. The Auditor of Public Accounts is required to audit all accounts of all sheriffs annually pursuant to KRS 43.070(1)(a)(2). Because the use of forfeiture funds is restricted by statute to "direct law enforcement purposes," auditors must evaluate whether the funds were spent appropriately and in compliance with statute. When forfeiture funds are converted to cash, it is particularly important that the use of cash be properly documented and accounted for because cash presents the highest risk of misappropriation. We encourage the sheriff to contact his county attorney, the Department for Local Government and the Kentucky Sheriff's Association to help gain an understanding on how forfeiture funds are to be properly handled.

The sheriff did not personally reimburse the special enforcement account in the amount of \$17,453 as recommended by the 2014 audit. The sheriff did not maintain documentation to support receipts and disbursements of the drug enforcement account and did not deposit all drug forfeiture moneys, which resulted in \$17,453 of disallowed disbursements. The disallowed disbursements were the result of the following:

- On July 16, 2014, moneys seized by the sheriff in the amount of \$2,210 were forfeited to the sheriff's office by a court order. On November 17, 2014, funds seized by the sheriff totaling \$3,168 were forfeited to the sheriff's office as part of a plea agreement. There were no deposits made in the sheriff's drug forfeiture account for either of these cases. Based on inquiry of the sheriff, he used this cash for disbursements in other drug cases; however, there was no documentation to support how this cash was used.
- The sheriff withdrew cash in the amount of \$9,000 from the drug enforcement account and again did not maintain any documentation to support how this cash was used.
- The sheriff wrote a check to a car dealership for \$3,000 and to an individual for \$75 without supporting documentation.

KRS 218A.420(4)(a) requires drug funds forfeited to the sheriff's office to be used for "direct law enforcement purposes." Also, KRS 134.160 requires the sheriff to keep an accurate account and maintain support of all moneys received and disbursed from his office. Without maintaining supporting documentation, there is no way to determine if these disbursements and cash payments were for law enforcement purposes and not used for personal expenses. We recommend the sheriff deposit personal funds in the amount of \$17,453 in the special enforcement account.

Sheriff's Response: It is becoming more apparent every year that the Auditor's Office is going to repeat the same things every time they examine our records.

The primary problem is with the special enforcement account which has zero to do with what the Auditor's Office typically examines, and is completely separate from any taxpayer funds. It is 100% generated from money seized and forfeited by dopers and is used to fund undercover investigations.

The buys I make during these investigations are all in cash, and it is ludicrous to expect me to have receipts from these thugs. I will be killed on the spot.

I have explained this on numerous occasions. I will not explain it again.

I understand this is your job. I will continue to do mine.

Auditor Reply: Forfeiture funds become public funds upon being transferred to the sheriff's office. These funds are subject to the same requirements that apply to handling other public funds. The Auditor of Public Accounts is required to audit all accounts of all sheriffs annually pursuant to KRS 43.070(1)(a)(2). Because the use of forfeiture funds is restricted by statute to

“direct law enforcement purposes,” auditors must evaluate whether the funds were spent appropriately and in compliance with statute. When forfeiture funds are converted to cash, it is particularly important that the use of cash be properly documented and accounted for because cash presents the highest risk of misappropriation. We encourage the sheriff to contact his county attorney, the Department for Local Government and the Kentucky Sheriff’s Association to help gain an understanding on how forfeiture funds are to be properly handled.

The Sheriff Has \$218 Of Disallowed Disbursements From His 2015 Fee Account. The sheriff spent \$218 from his 2015 fee account for items that are disallowed. In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky’s highest court reaffirmed the rule 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 personal expenses. The sheriff paid \$218 to a satellite radio company which is not a necessary disbursement of the office. By having disallowed disbursements, excess fees paid to the county were reduced. We recommend the sheriff personally reimburse the 2015 fee account in the amount of \$218 which should then be paid to the county as additional excess fees for 2015.

Sheriff’s response: NO Needed for weather, etc.

The Sheriff Did Not Personally Reimburse Disallowed Expenditures From 2014 In the Amount Of \$4,339. As reported in the 2014 audit, the sheriff spent \$4,339 from his 2014 fee account that were disallowed. In Funk v. Milliken, 317 S.W.2d 499 (KY 1958), Kentucky’s highest court reaffirmed the rule 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 personal expenses. The sheriff spent \$114 on newspaper advertisements that were not necessary disbursements to the office. Also, the sheriff did not maintain documentation of \$4,225 of credit card purchases for hotel stays and online purchases. Without supporting documentation, auditors were unable to determine if purchases were for necessary disbursements of the sheriff’s office. We recommend the sheriff personally reimburse the 2014 fee account in the amount of \$4,339 for these disallowed disbursements.

Sheriff’s response: NO

The sheriff did not submit a listing of property seized with the appropriate authorities. KRS 218A.440(1) requires each law enforcement agency seizing money or property pursuant to KRS 218A.415, at the close of each fiscal year, to file a statement with the Auditor of Public Accounts and with the Secretary of the Justice and Public Safety Cabinet containing a detailed listing of all money and property seized in that fiscal year and the disposition thereof. The listing must identify all property seized. The sheriff failed to prepare a listing of seized property. As a result, the sheriff may be liable to the state for the full value of all property and money seized, as stated in KRS 218A.440(2). We recommend the sheriff comply with this statute in the future.

Sheriff’s response: NO

The sheriff’s office lacks adequate segregation of duties. The sheriff’s bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The

sheriff or another employee did not document oversight of any of these activities. A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government. This condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure.

Sheriff's response: O.K.

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.

