



Auditor of Public Accounts  
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FOR IMMEDIATE RELEASE

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### Harmon Releases Audit of Greenup County Sheriff's Office

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 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 noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comments:

**The sheriff has \$3,070 of disallowed disbursements from his Special Enforcement Account and did not have adequate controls over the account:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-001. The sheriff does not have adequate controls over his drug enforcement account. The sheriff did not maintain documentation to support receipts and disbursements of the drug enforcement account. These issues are reoccurring and continue to result in disallowed disbursements. The following problems were noted:

- The sheriff withdrew cash in the amount of \$2,800 from the drug enforcement account and did not maintain any documentation to support how this cash was used.
- The sheriff wrote a check for vests in the amount of \$270 without supporting documentation.
- The sheriff did not maintain receipts and disbursements ledgers for the drug enforcement account.

Without maintaining supporting documentation, there is no way to determine if the disallowed disbursements and cash payments totaling \$3,070 were for law enforcement purposes and not used for personal expenses.

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.

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 \$3,070 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: Do not agree - see previous years.*

Auditor's 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 \$1,366 of disallowed disbursements from his 2016 fee account:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-003. The sheriff has disallowed disbursements in this fee account totaling \$1,366 for the following disallowed items:

- Items not necessary for the operation of the sheriff's office totaling \$733 (satellite radio subscriptions and an interest charge)
- Items without supporting documentation totaling \$633 (hotel stay, parking fees, and online purchases)

The sheriff was aware that these are considered to be disallowed items, but he chose to purchase the satellite radio subscriptions anyway and did not ensure that proper documentation was maintained for the other items mentioned above.

The disallowed disbursements result in taxpayer funds being spent inappropriately and excess fees paid to the county were reduced. In addition, the sheriff personally owes \$1,366 to the 2016 fee account to reimburse these disallowed items. 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.

We recommend the sheriff personally reimburse the 2016 fee account in the amount of \$1,366 for these disallowed disbursements. Furthermore, we recommend the sheriff only expend funds for allowable purposes in the future.

*Sheriff's Response: Don't Agree - Hotel stays for conferences easily verified!*

Auditor's Reply: It is the responsibility of the sheriff to maintain and provide the auditor with original and sufficient documentation to support a transaction.

**The sheriff's fourth quarter report did not accurately reflect total receipts and total disbursements:** The sheriff's fourth quarterly report, which serves as the sheriff's financial statement, reflected discrepancies in total receipts and total disbursements for calendar year 2016, requiring material audit adjustments. Controls were not in place to ensure that all receipts and disbursements were posted correctly to the sheriff's ledgers. As a result, the sheriff's fourth quarterly report was materially misstated. KRS 134.192(11) states that, in counties with population of less than 70,000, the sheriff's annual settlement shall include: "[a] complete statement of all funds received by his or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of his or her commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes[.]" and "[a] complete statement of all expenditures of his or her office[.]" We recommend the sheriff ensure a complete and accurate fourth quarterly report is prepared in order to ensure all receipts and disbursements are accounted for properly.

*Sheriff's Response: Must be done 1<sup>st</sup> of January to receive advancement, figures changed later for audit due to necessity to estimate by Jan.*

Auditor's Reply: We recommend the sheriff abide by KRS 134.192 and provide a complete and accurate fourth quarter report.

**The sheriff did not follow bidding requirements outlined in KRS 424.260:** The sheriff did not obtain bids before purchasing a vehicle in the amount of \$37,550. The sheriff indicated that the amount paid was the amount approved on the state price contract. However, the sheriff did not provide documentation to support the vendor being on the state price contract or have any bid documentation. The sheriff could expend more funds than necessary by not using the bid process

or the state price contract. KRS 424.260 requires that bids be obtained for all purchases involving an expenditure of more than \$20,000 or that the vehicle be purchased from the vendor that held the state price contract.

We recommend that the sheriff ensure all purchases exceeding \$20,000 be made in compliance with KRS 424.260. We further recommend that every purchase have adequate, supporting documentation, including purchases made under a state price contract and through the bidding process. A copy of the applicable contract should be kept on file in the Sheriff's files and original bid documentation should be maintained in bid files.

*Sheriff's Response: Saved \$ by buying locally.*

Auditor's Reply: We recommend the sheriff abide by KRS 424.260 for procurement.

**The sheriff did not personally reimburse the office's Special Enforcement Account in the amount of \$12,471 for amounts disallowed in the 2015 audit:** This is a repeat finding and was reported in the prior year audit report in Finding 2015-001. The 2015 audit reported that the sheriff had disallowed disbursements in his Special Enforcement Account totaling \$12,471 due to a lack of supporting documentation. 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 was aware of these disallowed items, but he chose not to repay the Special Enforcement Account from his personal funds. As a result, the Special Enforcement Account had less funds for law enforcement and drug prevention. 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. We recommend the sheriff deposit personal funds of \$12,471 in the Special Enforcement Account. This has been referred to the Office of Attorney General.

*Sheriff's Response: Do not agree - see previous years.*

Auditor's 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 office's Special Enforcement Account in the amount of \$17,453 for amounts disallowed in the 2014 audit:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-002. The 2014 audit reported that the sheriff

had disallowed disbursements in his Special Enforcement Account totaling \$17,453 due to a lack of supporting documentation. 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.

The sheriff was aware of these disallowed items, but he chose not to repay the Special Enforcement Account from his personal funds. As a result, the Special Enforcement Account had less funds for law enforcement and drug prevention. 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. We recommend the sheriff deposit personal funds of \$17,453 in the Special Enforcement Account. This has been referred to the Office of Attorney General.

*Sheriff's Response: Do not agree - see previous year.*

Auditor's 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.

**Disallowed expenditures from 2015 in the amount of \$218 were not paid by the sheriff:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-003. The sheriff paid \$218 to a satellite radio company from his 2015 fee account that were disallowed. The sheriff was aware of this disallowed item, but he chose not to repay the 2015 fee account from his personal funds. The disallowed disbursements result in taxpayer funds being spent inappropriately and excess fees paid to the county were reduced. 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. We recommend the sheriff personally reimburse the 2015 fee account in the amount of \$218, which should then be paid to the county for the additional 2015 excess fees.

*Sheriff's Response: Do not agree - see previous year.*

**Disallowed expenditures from 2014 in the amount of \$4,339 were not paid by the sheriff:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-004. The sheriff had disallowed disbursements in the amount of \$4,339. The sheriff spent \$114 on newspaper advertisements that were not necessary disbursements of the office. Also, the sheriff did not maintain documentation of \$4,225 of credit card purchases for hotel stays and online purchases. The sheriff was aware of these disallowed items, but he chose not to repay the 2014 fee account from his personal funds. The disallowed disbursements result in taxpayer funds being spent inappropriately and excess fees paid to the county were reduced. 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. We recommend the sheriff personally reimburse the 2014 fee account in the amount of \$4,339, which should then be paid to the county for the additional 2014 excess fees.

*Sheriff's Response: Do not agree - see previous year.*

**The sheriff did not collect the amounts due to the prior year tax accounts, and did not pay the county \$2,653 as reported by the audit of the tax account:** The sheriff did not collect all of the amounts due to the 2010 through 2014 tax accounts, and therefore has not paid the amount due to the county as reported by the tax audit. The audit of the 2015 tax account reports that for tax years 2010 through 2013, the sheriff owes the county \$2,591. Also, for tax year 2014 the sheriff owes an additional \$62 to the county. During 2016, the sheriff paid \$2,653 from his 2016 fee account to the county on behalf of the prior year tax accounts. However, this only reduced excess fees at year-end and did not satisfy the liability owed to the county from the prior year tax accounts. We are reporting the payment of \$2,653 as an excess fee payment since the sheriff did not collect the required amounts as reported in the audits of the tax account. This is caused by the failure of the sheriff to properly close out his prior year tax accounts. As a result, the county has been deprived of funds owed to them. KRS 64.820 states the county should collect any amount due from county officials as determined by audit. We recommend the sheriff take the necessary action to collect the receivables of the prior year tax accounts, or deposit \$2,653 from his personal funds in order to pay the county.

*Sheriff's Response: See previous year. Paid \$2,653 to county, ck# 1711 (May, 2016 Fees Acct.) This was previously explained, we will not be collecting \$ from people who DO NOT owe it (and don't have it).*

**Auditor's Reply:** Tax collections owed to taxing districts should only be paid from the proper tax account. Fee account monies cannot be used to pay an obligation of a tax account.

**The sheriff did not file a listing of property seized with the proper authorities:** This is a repeat finding and was included in the prior year audit report as Finding 2015-005. During calendar year 2016, the sheriff did not submit a listing of property seized with the appropriate authorities. The sheriff failed to ensure a listing of seized property was submitted at year end. 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). 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. We recommend the sheriff comply with this statute in the future.

*Sheriff's Response: The sheriff provided no response.*

**The sheriff did not deposit receipts intact daily:** Receipts were not deposited on a daily basis during the period of December 26, 2016 through December 31, 2016. The deposit made on December 29, 2016 included receipt collections dated December 6, December 13, December 20, December 27, December 28 and December 29, 2016. The sheriff stated the reason for a delay in daily depositing of monies is because some deputies collect monies doing vehicle inspections at locations other than the sheriff's office. The practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible misappropriation and loss of funds. KRS 68.210 and sound accounting practices require funds be deposited on a daily basis. Under the authority of KRS 68.210, the Department for Local Government has established requirements for all local government officials handling public funds. These requirements include "daily deposits intact into a federally insured banking institution". Therefore, we recommend the sheriff protect office funds by making daily deposits into a federally insured banking institution.

*Sheriff's Response: Off-site inspector - turns in fees and receipts (numbered) monthly.*

**Timesheets were not properly maintained:** During our test of payroll, we noted nine missing timesheets, two unsigned timesheets, and two timesheets were not calculated correctly. The sheriff does not have adequate procedures in place to ensure timesheets are maintained and processed properly. Improper maintenance and approval of timesheets could lead to inappropriate payment to employees for work provided. Actual hours worked cannot be verified without timesheets. If timesheets are maintained and not signed by the employee and a supervisor, the validity of the time could also be in question should an issue arise. KRS 337.320 requires every employer to maintain a record of: (a) the amount paid each pay period to each employee; and (b) the hours worked each day and each week by each employee. This requirement applies to all county employees, with the exception of elected officials. To ensure compliance with KRS 337.320, we recommend all employees, other than elected officials, complete a timesheet. We further recommend the sheriff designate an employee or employees to review timesheets prior to payment for hours worked, accuracy of calculations, and approval by authorized personnel in order to ensure all employees are paid the appropriate amounts.

*Sheriff's Response: Had meeting with deputies to correct.*

**The sheriff's office lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year report as Finding 2015-006. The sheriff's office continues to lack adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts and disbursement ledgers, and

prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities. The sheriff indicated this was caused by a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Local Government.

The segregation of duties over various accounting functions such as 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. We recommend the sheriff segregate 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 procedures.

*Sheriff's Response: Ok.*

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](#).

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