# REPORT OF THE AUDIT OF THE GREENUP COUNTY SHERIFF

**For The Year Ended**
**December 31, 2016**


**MIKE HARMON**
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
The Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Greenup County, Kentucky, for the year ended December 31, 2016, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

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**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the Greenup County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Greenup County Sheriff, as of December 31, 2016, or changes in financial position or cash flows thereof for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Greenup County Sheriff for the year ended December 31, 2016, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2018, on our consideration of the Greenup County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting 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 over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comments:

| | |
|---|---|
| 2016-001 | The Sheriff Has $3,070 Of Disallowed Disbursements From His Special Enforcement Account And Did Not Have Adequate Controls Over The Account |
| 2016-002 | The Sheriff Has $1,366 Of Disallowed Disbursements From His 2016 Fee Account |
| 2016-003 | The Sheriff's Fourth Quarter Report Did Not Accurately Reflect Total Receipts And Total Disbursements |
| 2016-004 | The Sheriff Did Not Follow Bidding Requirements Outlined In KRS 424.260 |
| 2016-005 | The Sheriff Did Not Personally Reimburse The Special Enforcement Account In The Amount Of $12,471 For Amounts Disallowed In The 2015 Audit |
| 2016-006 | The Sheriff Did Not Personally Reimburse The Special Enforcement Account In The Amount Of $17,453 For Amounts Disallowed In The 2014 Audit |
| 2016-007 | Disallowed Expenditures From 2015 In The Amount Of $218 Were Not Paid By The Sheriff |
| 2016-008 | Disallowed Expenditures From 2014 In The Amount Of $4,339 Were Not Paid By The Sheriff |

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
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Members of the Greenup County Fiscal Court

**Other Reporting Required by *Government Auditing Standards* (Continued)**

| | |
|---|---|
| 2016-009 | 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 |
| 2016-010 | The Sheriff Did Not File A Listing Of Property Seized With The Proper Authorities |
| 2016-011 | The Sheriff Did Not Deposit Receipts Intact Daily |
| 2016-012 | Timesheets Were Not Properly Maintained |
| 2016-013 | The Sheriff's Office Lacks Adequate Segregation Of Duties |

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

April 25, 2018

GREENUP COUNTY
KEITH COOPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

| Receipts | | |
|---|---|---|
| Federal Grants | | $ 24,227 |
| State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF) | | 57,203 |
| State Fees For Services: | | |
| Finance and Administration Cabinet | $ 126,741 | |
| Sheriff Security Service | 6,388 | 133,129 |
| Fiscal Court | | 60,000 |
| County Clerk - Delinquent Taxes | | 97,588 |
| Commission On Taxes Collected | | 798,504 |
| Fees Collected For Services: | | |
| Auto Inspections | 9,765 | |
| Accident and Police Reports | 746 | |
| Serving Papers | 41,274 | |
| Carry Concealed Deadly Weapon Permits | 16,560 | 68,345 |
| Other: | | |
| Add-On Fees | 107,932 | |
| Telecommunication Commissions | 8,180 | |
| Insurance Proceeds | 44,592 | |
| Miscellaneous | 3,635 | 164,339 |
| Interest Earned | | 396 |
| Borrowed Money: | | |
| State Advancement | | 315,000 |
| Total Receipts | | 1,718,731 |

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
KEITH COOPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2016
(Continued)

Disbursements

| | | | |
|---|---|---|---|
| Operating Disbursements and Capital Outlay: | | | |
| Personnel Services- | | | |
| Deputies' Salaries | $ 528,798 | | |
| Other Salaries | 155,787 | | |
| KLEFPF | 48,851 | | |
| Employee Benefits- | | | |
| Employer's Share Social Security | 60,683 | | |
| Employer Paid Health Insurance | 38,429 | | |
| Contracted Services- | | | |
| Advertising | 176 | | |
| Materials and Supplies- | | | |
| Office Materials and Supplies | 23,113 | | |
| Uniforms | 41,766 | | |
| Auto Expense- | | | |
| Gasoline | 43,713 | | |
| Maintenance and Repairs | 47,803 | | |
| Other Charges- | | | |
| Conventions and Travel | 19,373 | | |
| Telephone | 11,741 | | |
| Postage | 1,000 | | |
| Bond | 4,263 | | |
| Insurance | 450 | | |
| Radio | 9,097 | | |
| Computer | 2,100 | | |
| Professional Fees | 5,000 | | |
| Miscellaneous | 1,436 | | |
| Capital Outlay- | | | |
| Vehicles | 173,830 | $ 1,217,409 | |
| Debt Service: | | | |
| State Advancement | | 315,000 | |
| Total Disbursements | | | $ 1,532,409 |
| Less: Disallowed Disbursements | | | |
| Items Not Necessary (satellite radio subscriptions, interest payment) | | 733 | |
| Items Without Supporting Documentation (hotel, parking, online purchases) | | 633 | 1,366 |
| Total Allowable Disbursements | | | 1,531,043 |

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
KEITH COOPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2016
(Continued)

| | |
|---|---|
| Net Receipts | $ 187,688 |
| Less: Statutory Maximum | 95,264 |
| Excess Fees | 92,424 |
| Less: Training Incentive Benefit | 3,969 |
| Excess Fees Due County for 2016 | 88,455 |
| Payments to Fiscal Court - Various Dates | 87,082 |
| Balance Due Fiscal Court at Completion of Audit | $ 1,373 |

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2016

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2016 services
- Reimbursements for 2016 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2016

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System and Other Post-Employment Benefits

The county official and employees have elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 17.06 percent for the first six months and 18.68 percent for the last six months.

Health Insurance Coverage

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

| Years of Service | % Paid by Insurance Fund | % Paid by Member through Payroll Deduction |
|---|---|---|
| 20 or more | 100% | 0% |
| 15-19 | 75% | 25% |
| 10-14 | 50% | 50% |
| 4-9 | 25% | 75% |
| Less than 4 | 0% | 100% |

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Greenup County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Greenup County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Special Enforcement Account

The sheriff maintains a separate account that is used for drug enforcement activities and is not included in the financial statement. This account is funded through written court orders. For 2016, the beginning balance was $10,178. Receipts for the year total $485. Disbursements for the year total $10,596, leaving an account balance of $67 as of December 31, 2016.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
The Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, 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, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Greenup County Sheriff for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated April 25, 2018. The Greenup County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Greenup County Sheriff'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Greenup County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Greenup County Sheriff'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 described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-003, and 2016-013 to be material weaknesses.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's financial statement is free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, and 2016-012.

**Views of Responsible Official and Planned Corrective Action**

The Greenup County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**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.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

April 25, 2018

# SCHEDULE OF FINDINGS AND RESPONSES

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GREENUP COUNTY
KEITH COOPER, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 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.

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 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.

2016-003 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 1st 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.

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 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 budding 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.

2016-005 The Sheriff Did Not Personally Reimburse The 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.

GREENUP COUNTY
KEITH COOPER, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-006 The Sheriff Did Not Personally Reimburse The 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.

2016-007 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.*

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-008 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.*

2016-009 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.

2016-010 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.

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-010 The Sheriff Did Not File A Listing Of Property Seized With The Proper Authorities (Continued)

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

2016-011 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.*

2016-012 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.*

2016-013 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. Lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Local Government.

GREENUP COUNTY
KEITH COOPER, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-013 The Sheriff's Office Lacks Adequate Segregation Of Duties (Continued)

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.*