

**REPORT OF THE AUDIT OF THE
DAVISS COUNTY
SHERIFF**

**For The Year Ended
December 31, 2017**



**MIKE HARMON
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT..... 1

STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS 3

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS..... 5

NOTES TO THE FINANCIAL STATEMENTS 7

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 15

SCHEDULE OF FINDINGS AND RESPONSES 19

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Al Mattingly, Daviess County Judge/Executive
The Honorable Keith Cain, Daviess County Sheriff
Members of the Daviess County Fiscal Court

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Daviess County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 statements are free from material misstatement.

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

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

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The Honorable Al Mattingly, Daviess County Judge/Executive
The Honorable Keith Cain, Daviess County Sheriff
Members of the Daviess County Fiscal Court

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Daviess 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 statements 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Daviess County Sheriff, as of December 31, 2017, 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 statements referred to above present fairly, in all material respects, the receipts and disbursements of the Daviess County Sheriff and the receipts, disbursements, and fund balances of the Daviess County Sheriff’s operating fund and county fund with the state treasurer for the year ended December 31, 2017, 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 November 5, 2018, on our consideration of the Daviess 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:

- 2017-001 Invoices Were Not Cancelled Properly And Not All Invoices Had Proper Authorization Prior To Payment
- 2017-002 Itemized Invoices Were Not Maintained For All Credit Card Disbursements

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

November 5, 2018

DAVIESS COUNTY
KEITH CAIN, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

Federal Grant:		
Highway Safety Grant	\$	13,311
State Grant:		
Law Enforcement Protection Program Grant (LEPP)		19,030
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		185,746
State Fees for Services:		
Finance and Administration Cabinet		294,737
Fiscal Court		2,082,525
County Clerk - Delinquent Taxes		40,989
Commission on Taxes		1,618,513
Fees Collected for Services:		
Auto Inspections	\$	49,530
Accident/Police Reports		11,966
Serving Papers		128,002
Serving Papers - Fiscal Court Fee		16,580
Carry Concealed Deadly Weapon Permits		31,450
		237,528
Other:		
Add-On Fees		132,478
TSA - Airport Security		6,505
Board of Education - School Resource Officer		87,225
Reimbursed Expenses		228,378
Surplus Property Sale		14,746
Contract Overtime		67,067
County Attorney/Traffic School		3,760
Miscellaneous Grants		2,345
Miscellaneous		383
		542,887
Interest Earned		2,914
Total Receipts		5,038,180

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
 KEITH CAIN, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2017
 (Continued)

Disbursements

Payments to County:			
Fees Collected - Fiscal Court		\$	16,580
Other Disbursements:			
Juror Expenses			<u>348</u>
Total Disbursements		\$	<u>16,928</u>
Net Receipts			5,021,252
Payments to State Treasurer:			
75% Operating Fund *			4,639,284
25% County Fund			<u>381,968</u>
			<u>5,021,252</u>
Balance Due at Completion of Audit		\$	<u>0</u>

* Includes reimbursed expenses in the amount of \$228,378 for the audit period.
 See Note 1 of Notes to Financial Statements.

DAVIESS COUNTY
KEITH CAIN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2017

	75% Operating Fund	25% County Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1, 2017	\$ (823,587)	\$ 540,874	\$ (282,713)
 <u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	4,639,284		4,639,284
Fees Paid to State - County Funds (25%)		381,968	381,968
	<hr/>	<hr/>	<hr/>
Total Funds Available	3,815,697	922,842	4,738,539
 <u>Disbursements</u>			
Daviess County Fiscal Court		620,262	620,262
Personal Services-			
Official's Statutory Maximum	115,473		115,473
Official's Training Incentive	4,052		4,052
Deputies' Salaries	2,072,347		2,072,347
Overtime Gross	174,083		174,083
Employee Benefits-			
Employer's Share Social Security	180,641		180,641
Employer's Share Retirement	702,256		702,256
Employer's Share Health Insurance	833,332		833,332
Employer's Share Life Insurance	3,248		3,248
Workers' Compensation	52,083		52,083
Unemployment Insurance	1,658		1,658
Contracted Services-			
Computer Maintenance	10,631		10,631
Supplies and Materials-			
Office Supplies	7,387		7,387
Uniforms/Equipment	41,949		41,949

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
 KEITH CAIN, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2017
 (Continued)

	75%	25%	
	Operating	County	Totals
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
Disbursements (Continued)			
Other Charges-			
K-9 Expenses	\$ 1,032	\$	\$ 1,032
Law Enforcement Protection Program Grant	19,870		19,870
Miscellaneous	14,585		14,585
Radio/Siren Maintenance	34,440		34,440
Tax Costs	1,260		1,260
Supplies	6,738		6,738
Telephone/Fax/Cellular	8,119		8,119
Training	34,884		34,884
Transport	12,987		12,987
Travel	4,717		4,717
Auto Expenses-			
Gasoline	107,279		107,279
Maintenance and Repairs	61,705		61,705
Capital Outlay-			
Equipment	5,513		5,513
Vehicles	265,940		265,940
	<u>4,778,209</u>	<u>620,262</u>	<u>5,398,471</u>
Total Disbursements			
	<u>\$ (962,512)</u>	<u>\$ 302,580</u>	<u>\$ (659,932)</u>
Fund Balance - December 31, 2017			

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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 due from the sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

Also, some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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:

- Interest receivable
- Collection on accounts due from others for 2017 services
- Reimbursements for 2017 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2017

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).

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017
(Continued)

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.

The sheriff's contribution for calendar year 2015 was \$670,957, calendar year 2016 was \$628,729, and calendar year 2017 was \$702,256.

Nonhazardous

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 and 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 Board 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 nonhazardous 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 18.68 percent for the first six months and 19.18 percent for the last six months.

Hazardous

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight 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.

DAVISS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017
 (Continued)

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

Members in the plan contribute a set percentage of their salary each month to their own account. Hazardous members contribute eight percent of their annual creditable compensation and 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 Board 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 hazardous member's account is credited with a seven and one half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 31.06 percent for the first six months and 31.55 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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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.

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.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017
(Continued)

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

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Daviess 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 Daviess 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, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Self-Insured Health Insurance Fund

The Daviess County Sheriff participates in a partially self-funded health insurance plan. This partially self-funded insurance plan covers all employees of the sheriff's office. The sheriff's office pays for each employee's individual coverage. The sheriff contracted with ARC Administrators to administer the employee benefit plan for the year ended December 31, 2017. This partially self-funded insurance plan has two distinct components that the sheriff must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the sheriff's claims exposure on an individual and aggregate basis. Incurred fixed costs for the year ending December 31, 2017, were \$241,861.

The second component is the claims cost, all of which the sheriff is responsible to pay as they incur. Once an individual exceeds \$23,500 in claims or the sheriff's aggregate claims exceed the predetermined maximum, then the sheriff will receive reimbursements from the reinsurance carrier. Incurred claims for the year ended December 31, 2017, were \$530,998 and reimbursements were \$17,704. The sheriff's contract had no terminal liability provision. The sheriff would be responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$49,398 as of December 31, 2017.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017
(Continued)

Note 5. Deferred Compensation

All eligible employees of the Daviess County Sheriff's Office may participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax shelter supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plan is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 6. Special Investigation Account

The Daviess County Sheriff's office maintains a special investigation account for monies received from court ordered forfeitures in connection with drug related arrests. The balance of the account as of January 1, 2017, was \$380. During 2017, receipts were \$2,721 and disbursements were \$2,245, resulting in a balance of \$856 as of December 31, 2017.

Note 7. Grants

A. Highway Safety Grant

The Daviess County Sheriff's office received a Highway Safety Grant in the amount of \$13,350. The main purpose of the grant is to reduce fatalities on Kentucky roadways, minimize injuries to individuals and property, and to educate the public in ways to do this. The Daviess County Sheriff's office was reimbursed \$13,311 from this grant for calendar year 2017.

B. Law Enforcement Protection Program

The Daviess County Sheriff's office received a Law Enforcement Protection Program (LEPP) Grant in the amount of \$19,139. The main purpose of the grant was to purchase seven body armor vests and ammunition. The Daviess County Sheriff's office was reimbursed \$19,030 from this grant for calendar year 2017.

Note 8. 75% Operating Fund - Deficit Balance

The Daviess County Sheriff's 75% operating fund had a deficit balance of \$962,512 as of December 31, 2017. KRS 64.345(4) states, in part, "[i]f seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." The 75% operating fund must be settled at the end of the sheriff's term, which ends December 31, 2018.

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Al Mattingly, Daviess County Judge/Executive
The Honorable Keith Cain, Daviess County Sheriff
Members of the Daviess County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements 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 and Disbursements - Regulatory Basis of the Sheriff of Daviess County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2018. The Daviess County Sheriff's financial statements are 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 statements, we considered the Daviess 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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Daviess County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Daviess County Sheriff's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Daviess County Sheriff's financial statements are 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

The Daviess County Sheriff's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The Daviess County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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

November 5, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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DAVIESS COUNTY
KEITH CAIN, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2017-001 Invoices Were Not Cancelled Properly And Not All Invoices Had Proper Authorization Prior To Payment

Auditor noted 30 invoices from the fee account that were not properly cancelled by the former finance officer, 16 of these were for the monthly self-insurance payments. Also, all seven items tested from the special investigation account did not have authorization of approval prior to payment and one of the seven items tested was not properly cancelled.

This was an oversight by the former finance officer. The self-insurance monthly payments were segregated and the payroll officer was unaware that invoices needed to be cancelled. The deputy responsible for the special investigation account was unaware that invoices should have authorization prior to payment. By not cancelling invoices, the opportunity for invoices to be paid twice is created and a lack of authorization or approval prior to payment of invoices could result in invoices being paid that are not allowable. Good internal controls dictate that when an invoice is paid, it is cancelled to ensure it is only paid once and there should be a documented authorization or approval prior to the payment of an invoice.

We recommend the sheriff ensure that all invoices are cancelled when paid and authorization or approval for the payment of invoices is documented.

Sheriff's Response: Our office was unaware of the need for properly cancelling paid invoices. Upon verbal notification by Auditor, paid invoices have been cancelled immediately upon payment.

Our office was unaware of the need to have invoices approved by another supervisor when making purchases from the Special Investigation Account. All parties have been made aware of the requirement, and are prepared to comply with the regulation.

2017-002 Itemized Invoices Were Not Maintained For All Credit Card Disbursements

The Daviess County Sheriff's office did not maintain itemized invoices for the gasoline credit card disbursements to the vendor. The vendor statement provides information of cruiser charges; however, individual itemized receipts from the stations were not maintained. Auditors also noted one instance of a missing gasoline receipt for the bank card statement.

The sheriff's office thought the vendor statement would be sufficient and a deputy misplaced the gasoline receipt for the bank card statement. The sheriff's office attempted to obtain a copy of the missing receipt, but was unable to do so. By not maintaining itemized invoices, disbursements could be charged to the gasoline credit card that are personal in nature. Good internal controls dictate the sheriff maintain itemized receipts for all credit card disbursements to ensure that all transactions charged to the sheriff's office credit cards are for sheriff's office expenses.

We recommend the sheriff ensure that itemized receipts are maintained for all credit card disbursements.

Sheriff's Response: Upon verbal instruction of Auditor in August, mandatory receipt collection for all vehicles was begun in September. We were unaware of the need for receipts from [vendor] due to the specific nature of the printed bill.

DAVIESS COUNTY
KEITH CAIN, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2017

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2017-002 Itemized Invoices Were Not Maintained For All Credit Card Disbursements (Continued)

Sheriff's Response: (Continued) Those using county owned vehicles have been made aware that a receipt is essential when using the [credit card] to purchase fuel when transporting prisoners. Every effort will be made to comply. If it is impossible to retrieve a paper receipt, a copy of the transport order and body receipt for the prisoner will be submitted as proof of valid use of office funds.