



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Graves County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Graves County Sheriff Dewayne Redmon. 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 Grayson 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:

**Transactions associated with plea agreements were not in compliance with state statute:** In calendar year 2016, the Graves County Sheriff's office received five receipts totaling \$4,000 as part of plea agreements on various court cases. In all but one case, the details of these plea agreements, including documentation of the transactions, were excluded from the court record.

In most cases, the attorney proposed the donations as part of the plea agreement. According to personnel of the sheriff's office, these agreements had been going on for multiple years under

different officials and law enforcement agencies. Therefore, the sheriff believed it to be an acceptable practice.

Given the fact that these transactions were handled outside of the court system, without court oversight or authorization, the Graves County Sheriff's office accepted funds not authorized by law.

KRS 64.410(2) states that "[n]o officer shall demand or receive for his services. . .[a]ny other or greater fee than is allowed by law[.]" The receipts obtained by the sheriff cannot be considered donations because they were made in partial consideration of reduced charges or penalties in the context of plea negotiations. The receipts were not otherwise authorized by court order pursuant to any particular statute, as evidenced by the fact they were excluded from the court record. Therefore, the sheriff's office was not authorized to collect these receipts.

We recommend the Graves County Sheriff insist that all transactions made in consideration of plea agreements be documented and authorized by the appropriate court. All receipts should be justified based on law authorizing the fee. The Graves County Sheriff should immediately cease the practice of accepting any money as part of plea agreements that is not disclosed in the court record.

Due to its nature, this finding will be turned over to the Federal Bureau of Investigation (FBI).

*Sheriff's Response: This practice of donations being made to the drug fund have been occurring before I became sheriff for that reason I thought it was acceptable. I found out in February of 2017 after this being checked into by the FBI and Attorney General's Office that any donations associated with a court case are to be on the court record. I have instructed all my officers of this. All money that was donated was deposited into the donation or drug account. In no instance was anyone giving a better plea deal if they made a donation. Only a judge or prosecutor can do that as far as amending charges or dismissing them. The money that was donated was used for Project Graduation and Prom Bash. We also purchased all the DARE shirts out of this money for all the 6<sup>th</sup> grade students in the Graves Co Schools. Both the Attorney General and the FBI closed out these cases as I mentioned above. This was told to the auditors but for some reason chose not to believe me.*

*Pursuant to any issues where the Sheriff's office received a cash settlement in lieu of a forfeited vehicle, KRS Chapter 218A.420 (8) (a) states that "...any vehicle seized by a law enforcement agency which is forfeited pursuant to this chapter may be retained by the seizing agency for official use or sold within its discretion. Proceeds from the sale shall remain with the agency." Allowing a defendant to purchase a vehicle seized in lieu of forfeiture is consistent KRS 218A.420.*

*For all other cases where a donation was received by the Sheriff's Drug Fund pursuant to a plea agreement, no employee received any consideration or compensation. All funds were received by the Sheriff's asset-forfeiture officer who is authorized pursuant to KRS 218A.420. All funds received were documented and utilized as required by KRS 218A.420. All plea agreements meet the requirements in BRADY v. UNITED STATES, 397 us 742(1970).*

Auditor's Reply: The sheriff was unable to provide written evidence to the Auditor of Public Accounts confirming that *"the Attorney General and the FBI closed out these cases."*

**The Graves County Sheriff's office lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2015-004. In calendar year 2016, the Graves County Sheriff's office lacked adequate segregation of duties. The bookkeeper is required to perform multiple tasks such as the collection of cash from customers, daily checkout procedures, deposit preparation, check preparation, bookkeeping, and bank reconciliations.

Rather than segregate the accounting functions of the office, the sheriff has placed reliance on his trust in the bookkeeper. A lack of segregation of duties or strong oversight increases the risk of undetected errors or fraud.

Segregation of duties over these tasks, or the implementation of compensating controls, is essential for providing protection from asset misappropriation and helping to prevent inaccurate financial reporting. A lack of segregation of duties or strong oversight increases the risk of undetected fraud or errors. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against the misappropriation of assets and undetected misstatements, we recommend the sheriff segregate the duties noted above by allowing different deputies perform them. For those duties that cannot be segregated due to limited staff, strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight should include reviewing monthly bank reconciliations and the receipts and disbursements ledgers. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that are reviewed.

*Sheriff's Response: We are working on this. There is three office staff. I am trying to work it where all three of us do different things. One count the receipts, one count money and then one do the deposit slip.*

**The Graves County Sheriff did not properly account for customer charges:** This is a repeat finding and was included in the prior year audit report as Finding 2015-006. In calendar year 2016, the Graves County Sheriff did not properly account for customer charges. The sheriff allows customers to charge business for auto inspections. When services are rendered, the bookkeeper properly books the amount of the auto inspection to the receipts ledger. However, auditors were unable to trace receipts on account through the accounting system to determine how they were captured on the receipts ledger.

When a customer charges an auto inspection, the bookkeeper uses accounting software to update the customer's account. The accounting software is then used to create billing statements to send to customers who have outstanding balances. However, the software does not extract charge information to the receipts ledger. This is largely due to a lack of understanding of the accounting software.

Because customer charges are not shown on the receipts ledger, there is an increased risk that accounts receivables might not be collected. There is also an increased risk that accounts receivables could be misappropriated.

Strong internal controls dictate that all charge activity be posted to the receipts ledger to ensure that accounts receivables are collected in a timely manner, that they are accounted for properly, and that all charges on account are collected. We recommend the sheriff strengthen internal controls over customer charges by posting all charge activity to the receipts ledger. A better understanding of the functions of the account software will aid in this process.

*Sheriff's Response: I am not sure why this does not post correctly. I enter charges and ROA. Will check on this and will also start keeping a manual ledger.*

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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