

**REPORT OF THE AUDIT OF THE
FORMER GRAVES COUNTY
SHERIFF**

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jesse Perry, Graves, County Judge/Executive
The Honorable Dewayne Redmon, Former Graves County Sheriff
The Honorable Jon Hayden, Graves County Sheriff
Members of the Graves 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 former Sheriff of Graves County, Kentucky, for the year ended December 31, 2017, 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 this 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 a 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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The Honorable Jesse Perry, Graves, County Judge/Executive
The Honorable Dewayne Redmon, Former Graves County Sheriff
The Honorable Jon Hayden, Graves County Sheriff
Members of the Graves County Fiscal Court

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 former Graves 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 former Graves 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 statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Graves County Sheriff 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 May 7, 2019, on our consideration of the former Graves 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 former Graves County Sheriff's internal control over financial reporting and compliance.

The Honorable Jesse Perry, Graves, County Judge/Executive
The Honorable Dewayne Redmon, Former Graves County Sheriff
The Honorable Jon Hayden, Graves County Sheriff
Members of the Graves County Fiscal Court

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

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 The Former Graves County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2017-002 The Former Graves County Sheriff's Fourth Quarter Financial Report Does Not Agree With The Receipts And Disbursements Ledgers

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

May 7, 2019

GRAVES COUNTY
DEWAYNE REDMON, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2017

Receipts

Highway Safety Grant		\$ 5,694
Law Enforcement Service Fee Grant		4,767
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		66,462
State Fees For Services:		
Finance and Administration Cabinet	\$ 68,321	
Fugitive Returns	17,482	
HB 452	<u>17,761</u>	103,564
Circuit Court Clerk:		
Fines and Fees Collected	2,445	
Court Ordered Payments	<u>443</u>	2,888
Fiscal Court		178,564
County Clerk - Delinquent Taxes		19,464
Commission On Taxes Collected		496,438
Fees Collected For Services:		
Auto Inspections	21,660	
Accident and Police Reports	6,538	
Serving Papers	76,457	
Carry Concealed Deadly Weapon Permits	14,350	
Mental Health Transfers	<u>40,362</u>	159,367
Other:		
Add-On Fees	89,014	
City of Wingo	21,000	
Miscellaneous	<u>14,776</u>	124,790
Interest Earned		384
Borrowed Money:		
State Advancement		<u>140,000</u>
Total Receipts		1,302,382

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

GRAVES COUNTY
DEWAYNE REDMON, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2017
(Continued)

Disbursements

Operating Disbursements:

Personnel Services-		
Deputies' Salaries	\$	329,034
Part-Time Salaries		21,966
Other Salaries		51,884
Employee Benefits-		
Employer's Share Social Security		27,094
Employer's Share Medicare		6,337
Contracted Services-		
Contracted Labor		10,000
Materials and Supplies-		
Office Materials and Supplies		3,540
Uniforms		386
Auto Expense-		
Gasoline		30,003
Maintenance and Repairs		9,541
Other Charges-		
Postage		776
Transports		599
Training		1,905
Miscellaneous		<u>294</u>
Total Disbursements		<u>\$ 493,359</u>
Net Receipts		809,023
Less: Statutory Maximum		<u>97,088</u>
Excess Fees		711,935
Less: Training Incentive Benefit		<u>4,052</u>
Excess Fees Due County for 2017		707,883
Payments to Fiscal Court - Monthly		<u>707,883</u>
Balance Due Fiscal Court at Completion of Audit		<u><u>\$ 0</u></u>

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

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT

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, 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 2017 services
- Reimbursements for 2017 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2017

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).

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Graves County Sheriff's office is required by the fiscal court to participate in a fee pooling system. The fee pooling system began July 1, 2017. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts collected for others. Residual funds are then paid to the county treasurer on a monthly basis. Invoices are submitted to the county treasurer to document operating expenses. The fiscal court pays all operating expenses for the fee official.

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.

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 members 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 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.

GRAVES COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2017
 (Continued)

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

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.

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 former Graves 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 former Graves County Sheriff did not have a deposit policy for custodial credit risk but rather followed 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.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 4. Federal Highway Safety Grant

During the year, the former Graves County Sheriff's office received federal grant funds in the amount of \$5,694 that were passed through the Kentucky Transportation Cabinet, Office of Highway Safety. The grant funds were reimbursements for expenses related to highway safety, more specifically, alcohol counter-measures.

Note 5. State Grant – Law Enforcement Service Fee Grant

The former Graves County Sheriff's office received a grant from the Kentucky Justice & Public Safety Cabinet to improve the enforcement, investigation, and prosecution of driving under the influence (DUI) cases, and as a result, reduce the number of alcohol and drug related traffic accidents. Funds are typically used for overtime and equipment. During the year, the former Graves County Sheriff's office received \$4,767 from the grant program.

Note 6. Notes Payable

- A. In September 2014, the former Graves County Sheriff's office entered into a secured promissory note agreement in the amount of \$28,717 at an interest rate of 4.75 percent. The purpose of the note was to purchase a vehicle for the former sheriff's office. The note requires four annual payments due each December. As of December 31, 2017, the principal balance of the note was \$7,762. Payments were taken over by fiscal court in July 2017, after the office began participating in the fee pooling system.
- B. In September 2014, the former Graves County Sheriff's office entered into a secured promissory note agreement in the amount of \$24,590 at an interest rate of 4.75 percent. The purpose of the note was to purchase a vehicle for the former sheriff's office. The note requires four annual payments due each December. As of December 31, 2017, the principal balance of the note was \$6,647. Payments were taken over by fiscal court in July 2017, after the office began participating in the fee pooling system.
- C. In September 2015, the former Graves County Sheriff's office entered into a secured promissory note agreement in the amount of \$14,646 at an interest rate of 4.75 percent. The purpose of the note was to purchase an all-terrain vehicle for the former sheriff's office. The note requires three annual payments due each September. As of December 31, 2017, the principal balance of the note was \$5,113. Payments were taken over by fiscal court in July 2017, after the office began participating in the fee pooling system.
- D. In November 2015, the former Graves County Sheriff's office entered into a secured promissory note agreement in the amount of \$26,862 at an interest rate of 4.75 percent. The purpose of the note was to purchase a vehicle for the former sheriff's office. The note requires three annual payments due each November. As of December 31, 2017, the principal balance of the note was \$9,382. Payments were taken over by fiscal court in July 2017, after the office began participating in the fee pooling system.

GRAVES COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2017
 (Continued)

Note 6. Notes Payable (Continued)

E. In March 2017, the former Graves County Sheriff's office entered into a secured promissory note agreement in the amount of \$19,197, at an interest rate of 4.95 percent. The purpose of the note was to purchase a vehicle for the former sheriff's office. The note required one payment due in May. As of December 31, 2017, the principal balance of the note was \$0. Payment was made from the former sheriff's drug forfeiture account.

F. Changes In Notes Payable

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 56,489	\$ 19,197	\$ 46,782	\$ 28,904	\$ 28,904
Long-Term Liabilities	\$ 56,489		\$ 27,585	\$ 28,904	\$ 28,904

Note 7. On Behalf Payments

The Graves County Sheriff's office is required by the fiscal court to participate in a fee pooling system. Since the former sheriff is fee pooling, the fiscal court paid the former sheriff's statutory maximum as reflected on the former sheriff's financial statement.

For the year ended December 31, 2017, the fiscal court's contributions recognized by the former sheriff included the amounts that were based on the statutory maximum as required by KRS 64.5275. The former Graves County Sheriff recognized receipts from the fiscal court and disbursements for the statutory maximum of \$48,620 for the year ended December 31, 2017.

Note 8. Other Accounts

- A. Drug Forfeiture Account – The former sheriff maintained a drug forfeiture account established by order of the circuit court in 2006. This account is funded by receipts from court-ordered forfeitures of money and property as well as interest earned on the deposit of these funds. The funds are to be used for supplies, equipment, vehicles, and drug enforcement. The beginning balance of the account was \$37,928. During the year, \$72,037 was received, and \$103,677 was disbursed, leaving a balance of \$6,288 as of December 31, 2017. An additional \$8,800 was owed to fiscal court from the Drug Forfeiture account for 2015 Excess Fees. This was paid February 19, 2018.
- B. Special Account – The former sheriff maintained an account for donations as authorized by KRS 61.310(8)(a). This account is used to account for donations from the public or other organizations as well as interest earned on the deposit of these funds. The funds should be used for strict purposes expressed by the donor or general law enforcement activities. The beginning balance of the account was \$2,031. During the year, \$2,732 was received and \$1,913 was disbursed, leaving a balance of \$2,850 as of December 31, 2017.
- C. Evidence Account – The former sheriff established an evidence account in October 2013. This account is used to safeguard cash evidence while cases are under investigation or waiting on court decisions. As of December 31, 2017, this account had a balance of \$31,122.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2017
(Continued)

Note 9. Related Party Transactions

During the calendar year 2017, the former Graves County Sheriff's office paid a deputy's sons \$400 and \$275 to clean up vehicles prior to a vehicle auction.

Note 10. State Advancement

The former Graves County Sheriff received \$140,000 in interest free loans from the state as an advancement to pay operating costs until revenue from tax collections was received. This amount was paid in full on November 17, 2017 by the Graves County Fiscal Court. The former sheriff's office started taking part in a fee pooling system in July of 2017, thus the fiscal court was required to repay the loan.

Note 11. Subsequent Events

Sheriff Dewayne Redmond passed away on February 16, 2019, and Jon Hayden was appointed sheriff by the county judge/executive on February 28, 2019.

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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 Jesse Perry, Graves County Judge/Executive
The Honorable Dewayne Redmon, Former Graves County Sheriff
The Honorable Jon Hayden, Graves County Sheriff
Members of the Graves 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 former Graves County Sheriff for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated May 7, 2019. The former Graves 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 former Graves 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 former Graves County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Graves 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 2017-001, and 2017-002 to be material weaknesses.

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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*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Graves 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2017-002.

Views of Responsible Official and Planned Corrective Action

The Graves 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 Graves County 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,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

May 7, 2019

SCHEDULE OF FINDINGS AND RESPONSES

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GRAVES COUNTY
DEWAYNE REDMON, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Former Graves County Sheriff's Office Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year report as finding 2016-002. In calendar year 2017, the former 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 former sheriff has placed reliance on his trust in the bookkeeper. A lack of segregation of duties or strong oversight increases the risk undetected errors or fraud could occur.

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 that fraud or errors could occur and not be detected. 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's office segregate the duties noted above by allowing different deputies to perform them. For those duties that could not be segregated due to a limited number 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 were reviewed.

Current Sheriff's Response: Will follow written recommendations.

2017-002 The Former Graves County Sheriff's Fourth Quarter Financial Report Does Not Agree With The Receipts And Disbursements Ledgers

In calendar year 2017, the former Graves County Sheriff's receipts and disbursements ledgers did not agree with the sheriff's annual settlement. The former sheriff used his fourth quarter report as his settlement. Due to that report being done on January 8, 2018, subsequent receipts and excess fees payments for January through March were not accounted for on the fourth quarter financial report. This resulted in material adjustments being made to the fourth quarter financial statement during the audit.

According to the bookkeeper, there was confusion over what was required. When the former sheriff's office went fee pooling and excess fees payments were made monthly the office didn't make a final settlement but turned over their payments monthly with a report.

The fourth quarter financial report does not agree with the ledgers, and was materially misstated. Erroneous financial statements increases the risk of misappropriation and fraud. Not submitting a full settlement to fiscal court also puts the sheriff's office in noncompliance with KRS 68.210.

GRAVES COUNTY
DEWAYNE REDMON, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2017
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-002 The Former Graves County Sheriff's Fourth Quarter Financial Report Does Not Agree With The Receipts And Disbursements Ledgers (Continued)

Strong internal controls over the recording of receipts and disbursements are essential to ensure that receipts and disbursements journals are properly maintained and the correct amount of excess fees is turned over to fiscal court.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires accurate financial reporting.

We recommend the sheriff maintain complete and accurate receipts and disbursements ledgers and perform a thorough review of the fourth quarter financial statement and annual settlement by comparing it to the receipts and disbursements ledgers before turning it in to fiscal court by March 15 each year.

Current Sheriff's Response: Intend to follow written recommendations.