REPORT OF THE AUDIT OF THE CASEY COUNTY SHERIFF

For The Year Ended December 31, 2023



ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS auditor.ky.gov

209 ST. CLAIR STREET FRANKFORT, KY 40601-1817 TELEPHONE (502) 564-5841 FACSIMILE (502) 564-2912

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS	4
NOTES TO FINANCIAL STATEMENT	7
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	17
Schedule Of Findings And Responses	21

THIS PAGE LEFT BLANK INTENTIONALLY



Allison Ball Auditor of Public Accounts

Independent Auditor's Report

The Honorable Randy Dial, Casey County Judge/Executive The Honorable Chad Weddle, Casey County Sheriff Members of the Casey County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Casey County, Kentucky, for the year ended December 31, 2023, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Casey County Sheriff for the year ended December 31, 2023, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws as described in Note 1.

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 section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Casey County Sheriff, as of December 31, 2023, or changes in financial position or cash flows thereof for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Casey County Sheriff and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

209 St. Clair Street Frankfort, KY 40601-1817 The Honorable Randy Dial, Casey County Judge/Executive The Honorable Chad Weddle, Casey County Sheriff Members of the Casey County Fiscal Court

Basis for Opinion (Continued)

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 Casey 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 and budget laws, 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 and pervasive.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Casey County Sheriff's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Casey County Sheriff's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Casey County Sheriff's ability to continue as a going concern for a reasonable period of time.

The Honorable Randy Dial, Casey County Judge/Executive The Honorable Chad Weddle, Casey County Sheriff Members of the Casey County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2024, on our consideration of the Casey 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Casey County Sheriff'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 finding:

2023-001 The Casey County Sheriff's Office Does Not Have Proper Internal Controls Over Forfeiture Accounts

Respectfully submitted,

allisa Ball

Allison Ball Auditor of Public Accounts Frankfort, KY

September 5, 2024

CASEY COUNTY CHAD WEDDLE, SHERIFF <u>STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS</u>

For The Year Ended December 31, 2023

Receipts

Federal: Grants			\$ 3,159
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	26,202		
State Fees For Services: Finance and Administration Cabinet	\$	110,114	
Sheriff Security Service	φ	6,088	116,202
Circuit Court Clerk:			7 (57
Fines and Fees Collected			7,657
Fiscal Court			180,534
County Clerk - Delinquent Taxes			9,088
Commission On Taxes Collected			279,084
Fees Collected For Services:			
Auto Inspections		4,126	
Accident and Police Reports		1,255	
Serving Papers		19,204	
Carry Concealed Deadly Weapon Permits		6,000	30,585
Other:			
Add-On Fees		22,256	
Miscellaneous		2,651	24,907
Interest Earned			2,431
Borrowed Money:			
State Advancement			 100,000
Total Receipts			779,849

CASEY COUNTY CHAD WEDDLE, SHERIFF STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS For The Year Ended December 31, 2023 (Continued)

Disbursements

Deputies' Salaries Part-Time Salaries	\$ 187,915 95,516		
Other Salaries	76,545		
Overtime	13,305		
KLEFPF	17,200		
KLEFPF Overtime	1,439		
Narcotics Officer	615		
Employee Benefits-			
Employer's Share Social Security	7,307		
Employer's Share Retirement (KLEFPF)	8,195		
Contracted Services-			
Advertising	647		
Vehicle Maintenance and Repairs	18,147		
Materials and Supplies-			
Office Materials and Supplies	2,237		
Uniforms	6,555		
Auto Expense-			
Gasoline	45,590		
Other Charges-			
Conventions and Travel	462		
Dues	555		
Postage	5,651		
Bond	204		
Miscellaneous	6,398		
Utilities	2,952		
Cell Phones	8,008		
Computer Maintenance Fees	2,339		
Officer Equipment	5,966		
Capital Outlay-			
Vehicles	 9,358	\$ 523,106	
Debt Service:			
State Advancement		 100,000	
otal Disbursements			\$ 623,106

CASEY COUNTY CHAD WEDDLE, SHERIFF STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS For The Year Ended December 31, 2023 (Continued)

Net Receipts Less: Statutory Maximum	\$ 156,743 104,597
Excess Fees Less: Training Incentive Benefit	 52,146 4,983
Excess Fees Due County for 2023 Payment to Fiscal Court - March 1, 2024	 47,163 47,163
Balance Due Fiscal Court at Completion of Audit	\$ 0

CASEY COUNTY NOTES TO FINANCIAL STATEMENT

December 31, 2023

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 134.192 requires the sheriff to pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants by March 15 of each year. KRS 64.830 requires an outgoing sheriff to make a final settlement 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 is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis 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) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2023 services
- Reimbursements for 2023 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2023

The measurement focus of a fee official's financial statement is upon current financial resources. Per KRS 134.192(12), remittance of excess fees is due to the fiscal court when the sheriff makes their final settlement.

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 sheriff's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Kentucky Public Pensions Authority (KPPA). 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 2021 was \$5,313, calendar year 2022 was \$5,613, and calendar year 2023 was \$8,195.

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 CERS 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 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 26.79 percent for the first six months and 23.34 percent for the last six months.

<u>Hazardous</u>

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 Kentucky Retirement System insurance fund.

CASEY COUNTY NOTES TO FINANCIAL STATEMENT December 31, 2023 (Continued)

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

Hazardous (Continued)

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. 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 49.59 percent for the first six months and 43.69 percent for the last six months.

Other Post-Employment Benefits (OPEB)

A. <u>Health Insurance Coverage - Tier 1</u>

CERS 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.

CASEY COUNTY NOTES TO FINANCIAL STATEMENT December 31, 2023 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. <u>Health Insurance Coverage - Tier 1</u> (Continued)

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.

Benefits are covered under KRS 78.5536.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they 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 by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, earn fifteen 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 by 1.5 percent. 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 was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Kentucky Retirement Systems benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

Other Post-Employment Benefits (OPEB) (Continued)

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

Kentucky Retirement System Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement System 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.

Kentucky Retirement System also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports 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 Casey County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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. These requirements were met.

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 Casey County Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual.* As of December 31, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Short-term Debt

A. Direct Borrowings

- 1. The Finance and Administration Cabinet issued an advancement in ten installments ranging from \$8,000 to \$16,000 the amount of \$100,000 to the Casey County Sheriff's office, per KRS 64.140. The sum of these installments was due on or before December 31, 2023. The balance of these advancements was repaid in full as of November 29, 2023.
- B. Changes in Short-term Debt

	Beginni	ng					En	ding
	Balance		Additions		Re	eductions	Bal	ance
Direct Borrowings	\$		\$	100,000	\$	100,000	\$	
Total Short-term Debt	\$	0	\$	100,000	\$	100,000	\$	0

Note 5. Drug Enforcement Account

Under the terms mandated by the Commonwealth of Kentucky, the Casey County Sheriff received proceeds from the confiscation, surrender or sale of real or personal property involved in drug related convictions. These funds are used exclusively for operating disbursements incurred by law enforcement against drug related activities and are not included in excess fees. On January 1, 2023, the account had a balance of \$71,547. During calendar year 2023, the sheriff had receipts totaling \$31,704 and disbursements totaling \$53,303, leaving a balance of \$49,948 as of December 31, 2023.

Note 6. Forfeiture Asset Account

The Casey County Sheriff's office had an account for the deposit of funds forfeited as a result of court cases. Disbursements from this account are restricted in accordance with court orders related to each individual case. On January 1, 2023, the account had a balance of \$19,709. During calendar year 2023, the sheriff had receipts totaling \$9,080 and disbursements totaling \$27,599, which included a loan to the fee account of \$11,000. This loan was subsequently repaid in January 2024, leaving a receivable of \$11,000 as of December 31, 2023, and bringing the forfeiture account balance to \$12,190.

Note 7. Federal Forfeiture Property Account

The Casey County Sheriff had an account which is for receiving forfeited federal drug money. These funds are used to purchase law enforcement equipment, for training expenses, and for drug education programs. On January 1, 2023, the account had a balance of \$12,140. During calendar year 2023, the sheriff had receipts totaling \$1,110 and disbursements totaling \$1,209, leaving a balance of \$12,041 as of December 31, 2023.

Note 8. Donation Account

The Casey County Sheriff's office maintains an interest-bearing donation account to account for private and public donations to the sheriff's office. On January 1, 2023, the account had a balance of \$1,710. During calendar year 2023, the sheriff had receipts totaling \$1,030 and no disbursements, leaving a balance of \$2,740 as of December 31, 2023.

Note 9. Vehicle Account

The Casey County Sheriff's office maintains an interest-bearing bank account to hold and disburse insurance claim proceeds as the result of totaling a sheriff's cruiser. On January 1, 2023, the account had a balance of \$2,185. During calendar year 2023, the sheriff had receipts totaling \$20,162 and disbursements totaling \$21,300, leaving a balance of \$1,047 as of December 31, 2023.

Note 10. Fiduciary Account

A. Sheriff's Evidence Holding Account

The Casey County Sheriff deposited cash evidence into a custodial bank account. These funds are held until a resolution in the form of a court order is received. The funds are then remitted in accordance with the court order. The account had a beginning balance of \$14,673 with receipts of \$6,682 and \$7,745 of disbursements for calendar year 2023. The account balance was \$13,610 as of December 31, 2023.

THIS PAGE LEFT BLANK INTENTIONALLY

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* THIS PAGE LEFT BLANK INTENTIONALLY



Allison Ball Auditor of Public Accounts

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

The Honorable Randy Dial, Casey County Judge/Executive The Honorable Chad Weddle, Casey County Sheriff Members of the Casey County Fiscal Court

We have audited, 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 Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Casey County Sheriff for the year ended December 31, 2023, and the related notes to the financial statement and have issued our report thereon dated September 5, 2024. The Casey 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Casey County Sheriff's internal control over financial reporting (internal control) as a basis for designing 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 Casey County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Casey 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 statement 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.

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. We identified a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a significant deficiency.

209 ST. CLAIR STREET FRANKFORT, KY 40601-1817 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)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Casey 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 financial statement. 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

Government Auditing Standards requires the auditor to perform limited procedures on the Casey County Sheriff's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Casey County Sheriff's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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,

allian Ball

Allison Ball Auditor of Public Accounts Frankfort, KY

September 5, 2024

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

CASEY COUNTY CHAD WEDDLE, SHERIFF SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2023

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2023-001 The Casey County Sheriff's Office Does Not Have Proper Internal Controls Over Forfeiture Accounts

This is a repeat finding and was included in the prior year audit report as finding 2022-002. The sheriff's office maintains a drug forfeiture account (named "Drug Enforcement") which was designated to be used for law enforcement purposes pursuant to KRS 218A.420. The funds received in the account are based upon court ordered forfeitures. During a review of the account, it was noted that court ordered restitution was being deposited into this forfeiture account. The following deficiencies were noted during audit testing of the Drug Enforcement account:

- 35 payments of court ordered restitution, totaling \$2,814, were deposited into this account but should have been deposited to the sheriff's Fee Account instead.
- \$10 of arrest fees were deposited into the Drug Enforcement Account that should have been deposited into the Fee Account.
- Nine payments of court ordered restitution, totaling \$428, were received by the sheriff's office directly from defendants instead of being paid through the circuit clerk.

The sheriff's office also maintained a second drug forfeiture account (named "Forfeiture") which was also used to deposit funds under court order to be used for law enforcement purposes pursuant to KRS 218A.420. The following deficiencies were noted during audit testing of the Forfeiture account:

- 15% of auction proceeds totaling \$161 from the sale of two forfeited vehicles was not remitted to the Prosecutors Advisory Council.
- \$100 of seized cash had been deposited into the Forfeiture Account before a court ordered forfeiture was issued.
- A loan of \$11,000 was made from the Forfeiture Account to the Fee Account to cover payroll in December 2023 and paid back to the Forfeiture Account from the Fee Account in January 2024.

Per the sheriff's office, the majority of the payments deposited to both forfeiture accounts are from court orders that date back to the previous sheriff's administration and prior circuit court judges' administrations. The erroneous deposits into the forfeiture accounts and non-remittance to the Prosecutors Advisory Council were an oversight.

The sheriff is not in compliance with court orders and Kentucky Revised Statutes.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The documentation and review of receipts collected, and disbursements paid are basic internal controls necessary to ensure the accuracy and reliability of financial reports.

KRS 64.850 states, "[i]t shall be unlawful for any county official to deposit public funds with individual or private funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than that for which they were received and deposited."

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2023-001 The Casey County Sheriff's Office Does Not Have Proper Internal Controls Over Forfeiture Accounts (Continued)

KRS 218A.420(4)(b) states, in pertinent part, "[c]oin, currency, or the proceeds from the sale of property forfeited shall be distributed as follows: ... Fifteen percent (15%) shall be paid to the Office of the Attorney General or, in the alternative, the fifteen percent (15%) shall be paid to the Prosecutors Advisory Council for deposit on behalf of the Commonwealth's attorney or county attorney who has participated in the forfeiture proceeding."

KRS 532.033 states, in pertinent part, "[w]hen a judge orders restitution, the judge shall: (1) Order the restitution to be paid to a specific person or organization through the circuit clerk, who shall disburse the moneys as ordered by the court[.]" Alternatively, KRS 532.032(5) provides that, "[r]estitution payments ordered under this section shall be paid by the defendant to the clerk or a court-authorized program run by the county attorney or the Commonwealth's attorney of the county." There appears to be nothing in either of these statutes, or in any other statutes of which auditors are aware, that authorizes court-ordered restitution payments to be paid to a sheriff's office through a court-authorized program run by the county sheriff's office. Restitution payments, according to these two statutes, must be ordered to be paid either through the circuit clerk's office or through a court-authorized program run by either the county attorney or the Commonwealth's Attorney.

KRS 134.160(5) states, in pertinent part, "the sheriff shall not apply or use any money received by him or her for any purpose other than that for which the money was paid or collected."

We recommend the sheriff's office strengthen the internal controls over the receipts and disbursements related to the drug forfeiture accounts. This would include, but not be limited to, combining similar accounts, and renaming accounts to more accurately reflect the funds deposited. We recommend that all monies received and not specifically ordered to be deposited into the drug forfeiture fund be deposited to the correct account.

Sheriff's Response: My office has contacted the circuit and district judges in order to correct this problem.