

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

**For The Year Ended  
December 31, 2022**



**ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS  
[auditor.ky.gov](http://auditor.ky.gov)**

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



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**ALLISON BALL**  
**AUDITOR OF PUBLIC ACCOUNTS**

Independent Auditor's Report

The Honorable Jim Martin, Fulton County Judge/Executive  
The Honorable Derek Goodson, Former Fulton County Sheriff  
The Honorable Chad Parker, Fulton County Sheriff  
Members of the Fulton 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 former Sheriff of Fulton County, Kentucky, for the year ended December 31, 2022, 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 former Fulton County Sheriff for the year ended December 31, 2022, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky 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 former Fulton County Sheriff, as of December 31, 2022, 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*, 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 former Fulton 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.



The Honorable Jim Martin, Fulton County Judge/Executive  
The Honorable Derek Goodson, Former Fulton County Sheriff  
The Honorable Chad Parker, Fulton County Sheriff  
Members of the Fulton 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 former Fulton 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.

### **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 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, 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 former Fulton 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 former Fulton County Sheriff's ability to continue as a going concern for a reasonable period of time.

The Honorable Jim Martin, Fulton County Judge/Executive  
The Honorable Derek Goodson, Former Fulton County Sheriff  
The Honorable Chad Parker, Fulton County Sheriff  
Members of the Fulton 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 October 26, 2023, on our consideration of the former Fulton 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 former Fulton 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 findings:

- 2022-001 The Fulton County Sheriff’s Office Does Not Have Adequate Segregation Of Duties
- 2022-002 The Former Fulton County Sheriff Failed To Submit A Materially Amended Fourth Quarter Financial Statement To The Department For Local Government
- 2022-003 An Employee Of The Sheriff’s Office Was Improperly Paid In Advance
- 2022-004 The Former Fulton County Sheriff Did Not Make Deposits Daily
- 2022-005 The Former Fulton County Sheriff Exceeded His Budget For Operating Disbursements By \$44,488

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

October 26, 2023

FULTON COUNTY  
DEREK GOODSON, FORMER SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2022

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	13,538
State Fees For Services:		
Finance and Administration Cabinet	\$	60,516
Sheriff Security Service		3,528
Jury Meals		616
Traffic School		66
		64,726
Circuit Court Clerk:		
Fines and Fees Collected		4,243
Fiscal Court		146,225
County Clerk - Delinquent Taxes		4,783
Commission On Taxes Collected		130,380
Fees Collected For Services:		
Auto Inspections		945
Accident and Police Reports		190
Serving Papers		11,773
Carry Concealed Deadly Weapon Permits		760
		13,668
Other:		
Add-On Fees		9,571
Miscellaneous		3,853
Mental Health		340
		13,764
Interest Earned		123
Total Receipts		391,450

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



FULTON COUNTY  
 DEREK GOODSON, FORMER SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2022  
 (Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 171,470	
Part-Time Salaries	4,664	
Other Salaries	19,488	
KLEFPF	8,526	

Materials and Supplies-

Office Materials and Supplies	4,166	
Uniforms	11,715	
Law Enforcement Equipment	7,152	

Auto Expense-

Gasoline	1,149	
Maintenance and Repairs	6,563	

Other Charges-

Conventions and Travel	1,809	
Dues	529	
Postage	56	
Legal Process	1,530	
Computer Expense	2,224	
Miscellaneous	1,686	
Business Phone	3,501	
Jury Meals	564	
Travel Expense	33,433	\$ 280,225

Debt Service:

Note Principal	2,704	
Note Interest	309	3,013

Total Disbursements \$ 283,238

Net Receipts 108,212  
 Less: Statutory Maximum 91,237

Excess Fees Due County for 2022 16,975  
 Payment to Fiscal Court - January 4, 2023 1,757  
 Payment to Fiscal Court - March 14, 2023 15,284

Balance Due To Sheriff from Fiscal Court at Completion of Audit \$ (66)

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

FULTON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2022

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 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 2022 services
- Reimbursements for 2022 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2022

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).

FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2022  
 (Continued)

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.

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 contribution rate is set annually by the CERS Board of Directors 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 26.95 percent for the first six months and 26.79 percent for the last six months.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

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:

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

FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2022  
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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.

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. 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.

D. 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.

E. 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.

FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2022  
 (Continued)

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

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 former Fulton 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 former Fulton County Sheriff did not have a deposit policy for custodial credit risk, but rather followed the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Long-Term Debt

Direct Borrowings

- A. On August 20, 2018, the Citizens Bank issued a fixed rate loan in the amount of \$38,130 for the purpose of purchasing a vehicle for the sheriff's office. Principal and interest, which was calculated at a fixed rate of 4.35 percent was due monthly beginning on September 20, 2018. The loan was secured by a first security interest in the vehicle being purchased. In the event of default, the lender may declare the entire unpaid principal balance and all accrued unpaid interest immediately due. The debt was paid in full in June 2022.

FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2022  
 (Continued)

Note 4. Long-Term Debt (Continued)

B. Changes In Long-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	\$ 18,167	\$	\$ 18,167	\$	\$
Total Long-term Debt	<u>\$ 18,167</u>	<u>\$ 0</u>	<u>\$ 18,167</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 5. Other Accounts

A. Drug Forfeiture Fund

The former Fulton County Sheriff maintained a drug forfeiture fund. The account is to be funded by court-ordered forfeitures of money, proceeds from the sale of forfeited property, or interest received on these funds. The funds are restricted under state regulations and are to be used for various law enforcement operations, equipment, and education to fight against the drug problems of the county. As of January 1, 2022, the drug forfeiture fund had a balance of \$614. During the year, receipts totaled \$19,078 and disbursements totaled \$17,130. As of December 31, 2022, the balance of the account was \$2,562.

B. Federal Drug Forfeiture Fund

The former Fulton County Sheriff maintained a federal drug forfeiture fund. The account is to be funded by forfeitures awarded in federal drug cases and interest earned on deposits. The funds are restricted under federal regulations and are to be used for various law enforcement operations, equipment, and education to fight against the drug problems in the county. Funds are not subject to be turned over as excess fees. As of January 1, 2022, the federal drug forfeiture fund had a balance of \$0. There were no receipts or disbursements during the year. As of December 31, 2022, the balance of the account was \$0.

Note 6. Fiduciary Accounts

A. Escrow Account

The former Fulton County Sheriff held outstanding checks in a non-interest-bearing custodial account. As of December 31, 2022, the balance of the account was \$0.

B. Sheriff's Evidence Holding Account

The former Fulton 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 \$39,700 with receipts of \$16,644 and \$26,439 of disbursements for calendar year 2022. The account balance was \$29,905 as of December 31, 2022.

Note 7. On Behalf Payments

The Fulton County Fiscal Court paid \$15,463 directly to the Citizens Bank to pay off the Fulton County Sheriff's office vehicle loan.

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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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 Jim Martin, Fulton County Judge/Executive  
The Honorable Derek Goodson, Former Fulton County Sheriff  
The Honorable Chad Parker, Fulton County Sheriff  
Members of the Fulton 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 former Fulton County Sheriff for the year ended December 31, 2022, and the related notes to the financial statement and have issued our report thereon dated October 26, 2023. The former Fulton 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 former Fulton 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 former Fulton County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Fulton County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 and other deficiencies that we consider to be significant deficiencies.

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 2022-001, 2022-002, and 2022-003 to be material weaknesses.



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 Internal Control over Financial Reporting (Continued)**

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-004 and 2022-005 to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the former Fulton 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2022-003 and 2022-004.

**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,



Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

October 26, 2023

## SCHEDULE OF FINDINGS AND RESPONSES

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FULTON COUNTY  
DEREK GOODSON, FORMER SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Fulton County Sheriff's Office Does Not Have Adequate Segregation Of Duties

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This is a repeat finding and was included in the prior year's audit report as finding 2021-001. The Fulton County Sheriff's office does not have adequate segregation of duties over receipts and disbursements. The bookkeeper is responsible for collecting cash, preparing the daily checkout sheet, preparing deposits, processing payroll, posting transactions to the ledgers, preparing, and signing checks, reconciling the bank statements, and preparing monthly and quarterly reports. While the former sheriff implemented compensating controls such as dual signatures required on checks and review of bank reconciliations, compensating controls were determined to be ineffective.

The following control deficiencies and non-compliances occurred due to the lack of segregation of duties without effective compensating controls:

- A sheriff's office employee was improperly paid in advance.
- Deposits were not made daily.
- Credit card bills were paid without proper supporting documentation.

According to the former sheriff, due to a limited staff size, the bookkeeper is required to perform most of the accounting functions. This condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. A lack of segregation of duties or strong oversight increases the risk of undetected errors and fraud.

While it may be customary for the bookkeeper to perform these functions, the former sheriff failed to adequately segregate the duties involved. The former sheriff also failed to establish adequate management oversight to ensure receipts and disbursements were properly recorded and that completed bank reconciliations were accurate. Furthermore, the former sheriff failed to establish adequate management oversight to ensure employees were not paid in advance, deposits were made daily, all disbursements were made by check, and bank balances were sufficient to cover disbursements.

Strong internal controls dictate the duties associated with the custody of cash, authorization of transactions, and recording of transactions be performed by different employees. The segregation of duties over various accounting functions such as collecting cash, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the Fulton County Sheriff's Office segregate the duties noted above by allowing different deputies to perform them. For those duties that cannot be segregated due to a limited staff size, strong management oversight by the sheriff or designee could be a cost-effective alternative. This oversight should include reviewing daily checkout sheets, reviewing daily deposits, reviewing payroll summaries each period, and reviewing monthly bank reconciliations. Also, all checks should require dual signatures, with one being the sheriff's signature. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that were reviewed.

*Former Sheriff's Response: The former official did not provide a response.*

FULTON COUNTY  
 DEREK GOODSON, FORMER SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2022  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Former Fulton County Sheriff Failed To Submit A Materially Amended Fourth Quarter Financial Statement To The Department Of Local Government

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The former Fulton County Sheriff failed to submit a materially amended fourth quarter financial statement to the Department for Local Government (DLG). The sheriff's office submitted their fourth quarter financial statement to DLG in January 2023 and later amended it in March 2023. The amended fourth quarter financial statement was never turned in to DLG. The amended fourth quarter financial statement included \$28,722 of revenues and \$24,779 of disbursements that were not on the original statement. Also, the original statement did not accurately cross foot.

The statement was not submitted due to the former sheriff being unaware that they were required to submit the amended fourth quarter financial statement. The report did not cross foot due to an oversight. By submitting an inaccurate fourth quarter financial statement and not submitting the amended statement, DLG did not have accurate information for the sheriff's office. Furthermore, inaccurate reports increase the risk for misappropriation.

Strong internal controls require reports to be accurate and submitted timely to governing organizations. Reports should also be reviewed by someone other than the creator in order to ensure accuracy.

We recommend the Fulton County Sheriff's Office require all reports to be reviewed prior to distribution. If errors are found, amended reports should be submitted timely to DLG and the Fulton County Fiscal Court.

*Former Sheriff's Response: The former official did not provide a response.*

2022-003 An Employee Of The Sheriff's Office Was Improperly Paid In Advance

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This is a repeat finding and was included in the prior year audit report as finding 2021-003. One employee of the Fulton County Sheriff's Office was improperly paid in advance. A recap of cancelled checks revealed five payroll checks that cleared the bank prior to the end of the pay period they were for. These checks were cut anywhere from five to eight days before the end of the pay period.

According to the former sheriff, employees are not allowed to be paid in advance. However, internal controls were circumvented through the use of a signature stamp, which allowed for the advancements to occur. Because the employee was paid in advance, the former sheriff was not in compliance with the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*.

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* says the payment for goods and services is strictly prohibited.

We recommend the Fulton County Sheriff's Office strengthen internal controls over payroll to ensure employees cannot be paid in advance and ensure the sheriff's office is in compliance with the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*.

*Former Sheriff's Response: The former official did not provide a response.*

FULTON COUNTY  
DEREK GOODSON, FORMER SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2022  
(Continued)

2022-004 The Former Fulton County Sheriff Did Not Make Deposits Daily

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This is a repeat finding and was included in the prior year audit report as finding 2021-004. The Fulton County Sheriff's office did not make deposits daily. Each day, the sheriff's office batched receipts, performed checkout procedures, and prepared deposits; however, rather than make deposits daily, the sheriff's office often held the deposits several days before taking them to the bank.

According to staff of the sheriff's office, deposits were not taken to the bank each day due to the sheriff's office not having enough staff on hand to travel to the bank. Because receipts were not properly deposited daily into a federally insured banking institution, public funds were left vulnerable to misappropriation and loss. Furthermore, the sheriff is not in compliance with the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*.

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties' handling of public funds, which include making daily deposits into a federally insured banking institution. Furthermore, strong internal controls require deposits to be made daily to reduce the risk of asset misappropriation.

We recommend the Fulton County Sheriff's office strengthen internal controls over receipts by depositing receipts into a federally insured banking institution on a daily basis.

*Former Sheriff's Response: The former official did not provide a response.*

2022-005 The Former Fulton County Sheriff Exceeded His Budget For Operating Disbursements By \$44,488

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The former Fulton County Sheriff's operating disbursements exceeded the approved budget by \$44,488. The Fulton County Fiscal Court approved the former sheriff's budget for operating disbursements at \$238,750; however, the former sheriff expended \$283,238 on operating disbursements during the calendar year. No budget amendments were presented for approval. This was due to the former sheriff failing to monitor the budget throughout the year.

Due to the former sheriff failing to monitor the budget, the former sheriff expended more to operate the office than what was approved by the fiscal court. This resulted in fewer excess fees being turned over to the county.

The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15 of each year. Good internal controls include procedures to ensure disbursements are within approved budget or budget amendments are requested as needed.

We recommend the Fulton County Sheriff's Office monitor the budget throughout the year by implementing procedures to ensure disbursements are within budgeted limitation. If any disbursements exceed the budget, they should request budget amendments, as necessary, from the fiscal court, before year end.

*Former Sheriff's Response: The former official did not provide a response.*