

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

**For The Period
January 1, 2022 Through December 16, 2022**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

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

CONTENTS

PAGE

| | |
|--|----|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS | 4 |
| NOTES TO FINANCIAL STATEMENT | 6 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 15 |
| SCHEDULE OF FINDINGS AND RESPONSES | 19 |

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Chris Elleman, Garrard County Judge/Executive
The Honorable Tim Davis, Former Garrard County Sheriff
The Honorable Willie Skeens, Garrard County Sheriff
Members of the Garrard 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 Garrard County, Kentucky, for the period January 1, 2022 through December 16, 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 Garrard County Sheriff for the period January 1, 2022 through December 16, 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 Garrard County Sheriff, for the period January 1, 2022 through December 16, 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 Garrard 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 Chris Elleman, Garrard County Judge/Executive
 The Honorable Tim Davis, Former Garrard County Sheriff
 The Honorable Willie Skeens, Garrard County Sheriff
 Members of the Garrard 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 Garrard 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 Garrard 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 Garrard County Sheriff's ability to continue as a going concern for a reasonable period of time.

The Honorable Chris Elleman, Garrard County Judge/Executive
The Honorable Tim Davis, Former Garrard County Sheriff
The Honorable Willie Skeens, Garrard County Sheriff
Members of the Garrard 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 August 22, 2023, on our consideration of the former Garrard 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 Garrard 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 Former Garrard County Sheriff's Office Did Not Have Adequate Segregation Of Duties
- 2022-002 The Former Garrard County Sheriff's Office Did Not Have Adequate Internal Controls Over Payroll

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, KY

August 22, 2023

GARRARD COUNTY
TIM DAVIS, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2022 Through December 16, 2022

Receipts

| | | |
|---|---------------|----------------|
| State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF) | | \$ 34,823 |
| State Fees For Services: | | |
| Finance and Administration Cabinet | \$ 104,343 | |
| Sheriff Security Service | 10,104 | |
| Hold Harmless | 3,940 | |
| Traffic School | <u>4,259</u> | 122,646 |
| Fiscal Court | | 574,420 |
| County Clerk - Delinquent Taxes | | 15,843 |
| Commission On Taxes Collected | | 283,395 |
| Fees Collected For Services: | | |
| Auto Inspections | 4,070 | |
| Accident and Police Reports | 2,877 | |
| Serving Papers | 27,846 | |
| Carry Concealed Deadly Weapon Permits | 5,870 | |
| Warrant Service | <u>1,145</u> | 41,808 |
| Other: | | |
| Add-On Fees | 21,400 | |
| Miscellaneous | 11,402 | |
| School Security | <u>25,500</u> | 58,302 |
| Borrowed Money: | | |
| State Advancement | | <u>300,000</u> |
| Total Receipts | | 1,431,237 |

Disbursements

Operating Disbursements:

| | |
|---------------------|------------|
| Personnel Services- | |
| Deputies' Salaries | \$ 334,524 |
| Office Manager | 57,546 |
| Court Security | 119,310 |

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

GARRARD COUNTY
TIM DAVIS, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Period January 1, 2022 Through December 16, 2022
(Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Employee Benefits-

| | |
|----------------------------------|-----------|
| Employer's Share Social Security | \$ 46,717 |
| Employer's Share Retirement | 124,865 |
| Employers Fringe Benefits (IRA) | 11,949 |
| Deputy KLEFPF | 31,850 |
| Employer Paid Health Insurance | 39,391 |

Contracted Services-

| | |
|---------------------------------|-------|
| Advertising | 180 |
| Vehicle Maintenance and Repairs | 4,558 |
| Unemployment Insurance | 711 |

Materials and Supplies-

| | |
|-------------------------------|--------|
| Office Materials and Supplies | 6,017 |
| Uniforms | 14,155 |

Auto Expense-

| | |
|----------|--------|
| Gasoline | 44,140 |
|----------|--------|

Other Charges-

| | |
|----------------------|--------------|
| Bond | 2,731 |
| Miscellaneous | 3,222 |
| K-9 | 1,166 |
| Filing Fees | 3,030 |
| CSO Expense | 704 |
| Tax Bill Preparation | 5,925 |
| Vehicle Expense | <u>4,168</u> |
| | \$ 856,859 |

Debt Service:

| | |
|-------------------|----------------|
| State Advancement | <u>300,000</u> |
|-------------------|----------------|

| | |
|---------------------|---------------------|
| Total Disbursements | <u>\$ 1,156,859</u> |
|---------------------|---------------------|

| | |
|--------------|---------|
| Net Receipts | 274,378 |
|--------------|---------|

| | |
|-------------------------|---------------|
| Less: Statutory Maximum | <u>90,067</u> |
|-------------------------|---------------|

| | |
|-------------|---------|
| Excess Fees | 184,311 |
|-------------|---------|

| | |
|----------------------------------|--------------|
| Less: Training Incentive Benefit | <u>4,679</u> |
|----------------------------------|--------------|

| | |
|---|---------|
| Balance - Outgoing Garrard County Sheriff | 179,632 |
|---|---------|

| | |
|---|----------------|
| Transfer to Incoming Garrard County Sheriff | <u>179,632</u> |
|---|----------------|

| | |
|------------------------------------|-------------|
| Balance Due at Completion of Audit | <u>\$ 0</u> |
|------------------------------------|-------------|

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

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT

December 16, 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).

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 16, 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.

The sheriff's contribution for the period January 1, 2022 through December 16, 2022 was \$124,865. Garrard County Sheriff's office previously was a fee pooling office, and Garrard County Fiscal Court handled all retirement for sheriff's office.

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 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.

GARRARD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 16, 2022
 (Continued)

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

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:

| 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.

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (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.

GARRARD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 16, 2022
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 – Nonhazardous (Continued)

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.

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.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 16, 2022
(Continued)

Note 3. Deposits

The former Garrard 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 Garrard 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 16, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Short-term Debt

A. Direct Borrowings

The former Garrard County Sheriff received a state advancement of funds in the amount of \$300,000 to defray the expenses of the office for 2022, in accordance with KRS 64.140. State advancements must be paid in full from the fee account in which they are received. The balance was \$0 as of December 16, 2022.

B. Changes in Short-term Debt

| | Beginning Balance | Additions | Reductions | Ending Balance |
|-----------------------|----------------------|------------|------------|-------------------|
| State Advancement | \$ | \$ 300,000 | \$ 300,000 | \$ |
| Total Short-term Debt | \$ 0 | \$ 300,000 | \$ 300,000 | \$ 0 |

Note 5. Lease Agreement

The Garrard County Sheriff's office was committed to a lease agreement for hardware. The agreement requires an annual payment of \$5,640 for 3 years to be completed on September 30, 2025. The total remaining balance of the agreement was \$16,920 as of December 16, 2022.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 16, 2022
(Continued)

Note 6. Forfeiture Accounts

Under terms mandated by the United State Department of Justice and the Commonwealth of Kentucky, the Garrard County Sheriff's office received proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used exclusively for law enforcement activities and are not included in excess fees.

A. State Forfeiture Account

The Garrard County Sheriff's office maintains a state forfeiture account. The balance in the account as of January 1, 2022, was \$2,785. During the period January 1, 2022 through December 16, 2022, there were \$1,214 in receipts and \$1,333 disbursements. The balance in the account as of December 16, 2022, was \$2,666.

B. Federal Forfeiture Account

The Garrard County Sheriff's office maintains a federal forfeiture account. The balance in the account as of January 1, 2022, was \$1,008. During the period January 1, 2022 through December 16, 2022, receipts were \$842 and disbursements were \$1,093. The balance in the account as of December 16, 2022 was \$757.

Note 7. Garrard County DARE Program Account

The Garrard County Sheriff's office maintains the Garrard County DARE Program Account. The balance in the account as of January 1, 2022, was \$3,194. During the period January 1, 2022 through December 16, 2022, receipts were \$1,526 and disbursements were \$3,062. The balance in the account as of December 16, 2022 was \$1,658.

Note 8. Fiduciary Account - Sheriff's Evidence Holding Account

The former Garrard 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 \$0 with receipts of \$36,685 and \$0 of disbursements for the period January 1, 2022 through December 16, 2022. The account balance was \$36,685 as of December 16, 2022.

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



MIKE HARMON
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 Chris Elleman, Garrard County Judge/Executive
The Honorable Tim Davis, Former Garrard County Sheriff
The Honorable Willie Skeens, Garrard County Sheriff
Members of the Garrard 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 Garrard County Sheriff for the period January 1, 2022 through December 16, 2022, and the related notes to the financial statement and have issued our report thereon dated August 22, 2023. The former Garrard 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 Garrard 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 Garrard County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Garrard 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 a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 deficiency described in the accompanying Schedule of Findings and Responses as item 2022-001 to be a material weakness.



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 deficiency described in the accompanying Schedule of Findings and Responses as item 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Garrard 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as item 2022-002.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, KY

August 22, 2023

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

GARRARD COUNTY
TIM DAVIS, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2022 Through December 16, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Former Garrard County Sheriff's Office Did Not Have Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2021-002. The sheriff's office did not have segregation of duties over receipts, disbursements, and monthly reconciliations. Internal control procedures indicate the former sheriff's bookkeeper opened mail, collected payments from customers, prepared deposits, prepared/signed checks, posted transactions to the receipts and disbursements ledgers, prepared monthly and quarterly reports, and prepared monthly bank reconciliations. According to the former sheriff, the lack of segregation of duties as part of his daily office functions was due to lack of funding. The former sheriff did not have segregation of duties as part of the internal control procedures for his office. The lack of segregation of duties increases the risk that undetected errors could occur. Additionally, the lack of adequate segregation of duties could result in misappropriation of assets or inaccurate financial reporting to external agencies, such as the Department for Local Government.

Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Further, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as opening mail, 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. If this is not feasible due to budgetary constraints, cross-checking procedures could be implemented and documented by the individual performing the procedure.

We recommend the sheriff's office separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to the ledgers. However, if an adequate segregation of duties is not feasible, compensating controls should be implemented and documented by the individual performing the procedure.

Former Sheriff's Response: We have a small staff we will have 3 people in office to handle administrative duties.

2022-002 The Former Garrard County Sheriff's Office Did Not Have Adequate Internal Controls Over Payroll

This is a repeat finding and was included in the prior year audit report as finding 2021-003. Garrard County Sheriff's employees are separated into two groups for payroll purposes. The Garrard County Sheriff's office prepares payroll for court security and administrative staff including the sheriff. The personnel in each of these groups have various requirements for employment such as full-time, part-time, and salaried and our testing of payroll included an examination of these requirements and the documentation maintained by the sheriff to support payroll expenditures.

The former Garrard County Sheriff did not have appropriate internal controls over the payroll process. During our testing of payroll, the following issues were noted:

- Nine timesheets for the month of May were not signed by a supervisor.
- One timesheet was missing the employee's signature.
- One missing timesheet for an employee.

GARRARD COUNTY
TIM DAVIS, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period January 1, 2022 Through December 16, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Former Garrard County Sheriff's Office Did Not Have Adequate Internal Controls Over Payroll
(Continued)

Due to a lack of oversight by the former sheriff or his designee, timesheets were not signed to support hours worked or maintained. The former sheriff was not in compliance with KRS 337.320(1).

Strong internal controls dictate timesheets should be maintained and document the hours worked each day and each week by each employee. Each timesheet should be signed by the employee and their supervisor. All employee timesheets should be maintained and authorized by appropriate supervisor as required by KRS 337.320(1).

KRS 337.320(1) states, "[e]very employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires."

We recommend the Garrard County Sheriff strengthen internal controls over payroll by requiring employees and supervisors to sign timesheets and to maintain all timesheets.

Former Sheriff's Response: Only due to staffing issues we have three people to review statements.