

**REPORT OF THE AUDIT OF THE
GREEN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2021**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable John H. Frank, Green County Judge/Executive
The Honorable Robby Beard, Green County Sheriff
Members of the Green 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 Green County, Kentucky, for the year ended December 31, 2021, 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 Green County Sheriff for the year ended December 31, 2021, 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 Green County Sheriff, as of December 31, 2021, 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) and 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*. 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 Green 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 John H. Frank, Green County Judge/Executive
The Honorable Robby Beard, Green County Sheriff
Members of the Green 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 Green 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 Green 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 Green County Sheriff's ability to continue as a going concern for a reasonable period of time.

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.

The Honorable John H. Frank, Green County Judge/Executive
The Honorable Robby Beard, Green County Sheriff
Members of the Green County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022, on our consideration of the Green 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Green 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 comments:

- 2021-001 The Green County Sheriff's Fourth Quarter Report Was Inaccurate
- 2021-002 The Green County Sheriff's Office Does Not Have Adequate Segregation Of Duties Over All Accounting Functions
- 2021-003 The Green County Sheriff's Office Did Not Properly Account For Payments To Transporting Officers
- 2021-004 The Green County Sheriff's Controls Over Payroll Did Not Operate Effectively

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mike H.", with a long horizontal stroke extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, KY

December 13, 2022

GREEN COUNTY
ROBBY BEARD, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2021

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	15,238
State Fees For Services:		
Finance and Administration Cabinet	\$	539
Sheriff Security Service		2,896
AOC Court Security Payments		75,114
		78,549
Circuit Court Clerk:		
Fines and Fees Collected		150
Fiscal Court		153,152
County Clerk - Delinquent Taxes		10,644
Commission On Taxes Collected		197,542
Fees Collected For Services:		
Auto Inspections		55
Accident and Police Reports		62
Serving Papers		18,579
Carry Concealed Deadly Weapon Permits		3,440
Transporting Patients		13,226
		35,362
Other:		
Add-On Fees		11,683
Miscellaneous		7,707
		19,390
Interest Earned		376
Borrowed Money:		
State Advancement		29,000
Total Receipts		539,403

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

GREEN COUNTY
 ROBBY BEARD, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2021
 (Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 90,535
Clerk Gross Salaries	25,459
Court Security Gross Salaries	74,471
KLEFPF Gross Salaries	12,000

Employee Benefits-

Employer's Share Social Security	22,503
Employer's Share Retirement	3,032

Contracted Services-

Prisoner Transport	15,463
Vehicle Maintenance and Repairs	3,013

Materials and Supplies-

Office Materials and Supplies	16,893
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Auto Expense-

Maintenance and Repairs	8,487
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Other Charges-

Postage	3,977
Miscellaneous	11,019
Fiscal Court Ordinance	<u>2,950</u>
	\$ 289,802

Debt Service:

State Advancement	<u>29,000</u>
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Total Disbursements	\$ 318,802
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Net Receipts	220,601
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Less: Statutory Maximum	<u>91,693</u>
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Excess Fees Due County for 2021	128,908
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Payments to Fiscal Court -

April 15, 2021	14,944	
December 30, 2021	55,470	
March 15, 2022	42,635	
March 15, 2022	<u>9,858</u>	<u>122,907</u>

Balance Due Fiscal Court at Completion of Audit*	<u>\$ 6,001</u>
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* - The sheriff presented a check to the fiscal court for excess fees on December 13, 2022.

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

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2021

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 2021 services
- Reimbursements for 2021 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2021

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).

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2021
(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 retirement on KLEFPF salaries for calendar year 2019 was \$2,706, calendar year 2020 was \$2,669, and calendar year 2021 was \$3,032.

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 24.06 percent for the first six months and 26.95 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:

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2021
(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)

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.

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.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2021
(Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

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.

Note 3. Deposits

The Green 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 Green 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, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2021
(Continued)

Note 4. Short-term Debt

Direct Borrowing

A. Financing Obligation – State Advancement

During calendar year 2021, the sheriff's office received \$29,000 under the state advancement program to defray necessary official expenses and to apply to the payment of salaries of the sheriff or the sheriff's deputies and assistants from County Fees Systems Branch, Division of Local Government Services, Kentucky Finance and Administration Cabinet (Cabinet) under KRS 64.140(1). Principal was due on or before January 15, 2022, at zero percent interest. In the event of default, the cabinet may obtain payment from the sheriff, his sureties, and the sheriff in his official capacity. The balance of the state advancement was paid in full from the 2021 fee account.

B. Changes in Short-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance
State Advancement	\$	\$ 29,000	\$ 29,000	\$
Total Short-term Debt	\$ 0	\$ 29,000	\$ 29,000	\$ 0

Note 5. Lease Agreement

The Green County Sheriff's office was committed to a lease agreement for a copier. The agreement requires an annual payment of \$968 for 60 months to be completed on December 11, 2024. The total remaining balance of the agreement was \$1,935 as of December 31, 2021.

Note 6. Drug Enforcement Account

The Green County Sheriff's Office maintains a drug enforcement account. This account is funded by proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. Drug enforcement funds are to be used for law enforcement expenses of the office and are kept separate from the sheriff's fee account. As of January 1, 2021, the balance of the account was \$19,344. The account earned interest in the amount of \$29 and there were no disbursements. The balance was \$19,373 of as December 31, 2021.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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 John H. Frank, Green County Judge/Executive
The Honorable Robby Beard, Green County Sheriff
Members of the Green County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Green County Sheriff for the year ended December 31, 2021, and the related notes to the financial statement and have issued our report thereon dated December 13, 2022. The Green County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Green 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 Green County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Green 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.

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 2021-001, 2021-002, 2021-003, and 2021-004 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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Green 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 2021-001, 2021-003, and 2021-004.

Views of Responsible Official and Planned Corrective Action

The Green County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Green County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a horizontal line.

Mike Harmon
Auditor of Public Accounts
Frankfort, KY

December 13, 2022

SCHEDULE OF FINDINGS AND RESPONSES

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GREEN COUNTY
ROBBY BEARD, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2021

FINANCIAL STATEMENT FINDINGS:

2021-001 The Green County Sheriff's Fourth Quarter Report Was Inaccurate

This is a repeat finding and was included in the prior year audit report as finding 2020-001. The Green County Sheriff's fourth quarter report was not accurate. Receipts and disbursements were not categorized properly, and all receipts and disbursements were not included. The sheriff's bookkeepers do not post receipts and disbursements consistently between the receipts and disbursements ledgers and the quarterly reports. The following deficiencies were noted:

- Reclassifications were necessary to correct the receipts on the fourth quarter report totaling \$115,739. Payments from the fiscal court of \$101,022, payments from the state of \$14,547, payments from the circuit court clerk of \$50, and payments for transporting patients of \$120 were misclassified.
- Reclassifications were necessary to correct the disbursements on the fourth quarter report totaling \$79,001. Employee withholdings of \$67,684 were recorded as employee benefits instead of being included with salaries. Employer's share retirement of \$3,032 was also recorded as employee benefits. Payments totaling \$8,285 for contracted services were included with salaries in error.
- Receipts of \$24,802 from the fiscal court for reimbursement under the CARES Act were not included on the fourth quarter report.
- Disbursements of \$362 for miscellaneous expenses were not included on the fourth quarter report.
- Adjustments were necessary to remove \$51,327 recorded as receipts on the fourth quarter report in error. These included a disbursement for 2020 excess fees paid to the fiscal court in the amount of \$48,263, a December 2020 payment from the state of \$1,258, and bank errors and corrections of \$1,806.
- Adjustments were necessary to remove \$106,810 recorded as disbursements on the fourth quarter report in error. These included excess fees paid to the fiscal court for 2020 in the amount of \$49,534, excess fees paid to the fiscal court for 2021 in the amount of \$55,470, and bank errors and corrections of \$1,806.
- The sheriff overstated the disbursement to the state for the repayment of the state advancement by \$6,000 on the fourth quarter report.

The reclassifications and errors resulted from a lack of oversight over the financial recording process and preparation of the fourth quarter report. Although the fourth quarter report was signed by the sheriff, it was inaccurate. Also, no documented review of comparing the fourth quarter report to the receipts and disbursements ledgers was noted. The lack of oversight could result in the undetected misappropriation of assets or inaccurate financial reporting to external agencies such as Department for Local Government (DLG) and the fiscal court.

Good internal controls dictate that oversight over all aspects of the financial reporting process be implemented to ensure accuracy. Strong internal controls over financial reporting are vital in ensuring the financial reports of the sheriff's office accurately reflect the financial activity of the sheriff's office. These controls should include an individual independent of the accounting function reviewing the financial reports and comparing amounts reported to the amounts on the ledgers.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to DLG by the 30th day following the close of each quarter. The manual provides the required format for the quarterly report including recommended categories for receipts and disbursements.

GREEN COUNTY
 ROBBY BEARD, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-001 The Green County Sheriff's Fourth Quarter Report Was Inaccurate (Continued)

We recommend the sheriff's office implement stronger internal controls over the financial reporting process to ensure amounts reported on the quarterly reports are accurate. Internal controls such as a thorough review of quarterly reports by someone independent of the accounting function can help detect misstatements and errors that have occurred. This review should include tracing transactions posted to the receipts and disbursements ledgers to actual bank statement transactions. It should also include agreeing book balances between the quarterly reports and bank reconciliations, agreeing bank balances per the bank statements to the quarterly reports and bank reconciliations, checking for mathematical accuracy, and verification of bank reconciliation amounts. Ledgers should also be reviewed to verify transactions have been recorded to the correct account codes. Once the ledgers and reconciliations are deemed accurate, the reviewer should document that fact and submit the review to the sheriff for approval. By implementing these procedures, the sheriff can strengthen the internal control system and help ensure accurate financial reporting.

Sheriff's Response: Mistakes are made. Has been corrected.

2021-002 The Green County Sheriff's Office Does Not Have Adequate Segregation Of Duties Over All Accounting Functions

This is a repeat finding and was included in the prior year audit report as finding 2020-002. The Green County Sheriff's office does not have adequate segregation of duties over receipts, disbursements, payroll, financial reporting, and the reconciliation process. The sheriff's bookkeepers collect receipts, prepare deposits, prepare daily checkout sheets, prepare and sign checks, and prepare payroll. In addition, they post to the receipts and disbursements ledgers, prepare quarterly reports and monthly reports, and reconcile the monthly bank statements. The sheriff has implemented some compensating controls, such as reviewing and initialing the daily checkout sheets and monthly bank reconciliations and reviewing and approving deputies' timesheets. However, no reviews of the quarterly reports, receipts ledger, and disbursements ledger were documented by the other bookkeeper or the sheriff. In addition, reviews of invoices and leave balance reports of full-time employees are not regularly documented by the other bookkeeper or the sheriff.

The lack of segregation of duties occurred because the sheriff failed to segregate incompatible duties. The sheriff stated he cannot hire additional employees to allow segregation of duties due to budget limitations. A lack of oversight could result in undetected misappropriation of assets or inaccurate financial reporting to external agencies such as the Department for Local Government.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, preparing monthly bank reconciliations, preparing monthly and quarterly reports, and approving timesheets 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. The sheriff can implement oversight when duties cannot be segregated.

We recommend the sheriff separate the duties involved in receiving cash, preparing deposits, writing disbursement checks, posting to ledgers, and preparing monthly bank reconciliations. If segregation of duties is not feasible due to lack of staff, then compensating controls should be implemented which includes an employee not currently performing any of those functions providing oversight in those areas. Any oversight should be documented.

Sheriff's Response: Cannot hire more help. No money.

GREEN COUNTY
 ROBBY BEARD, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-003 The Green County Sheriff's Office Did Not Properly Account For Payments To Transporting Officers

The Green County Sheriff's office is not properly accounting for payments to officers for transporting prisoners and patients. The sheriff contracts with a community mental health center for transportation/transfer of mentally ill patients or patients with an intellectual disability between facilities. The sheriff pays officers to transport patients and the community mental health center reimburses the sheriff's office for these payments according to the contract terms. The sheriff also pays officers to transport prisoners according to court orders. The following deficiencies were noted when testing payments to transporting officers:

- The sheriff is maintaining insufficient supporting documentation for disbursements for transporting mental health patients. The sheriff only maintains the billing document that is submitted to the community mental health center requesting reimbursement for transport after disbursements to officers have already been made. No other log of hours worked or documentation of the expenses incurred are maintained.
- Two of the seven disbursements tested to transporting officers were court ordered prisoner transports. The sheriff did not maintain any supporting documentation for these disbursements.
- The disbursement amounts paid to transporting officers do not agree to the supporting documentation maintained by the sheriff for two of the seven disbursements tested.
- The sheriff requested reimbursement for payment to three transporting officers on one mental health transport when the maximum allowable reimbursement per transport is for two officers.

The sheriff stated he was not aware that a log or other documentation for transport payments needs to be maintained. The sheriff did not know the requirements or best practice for accounting for payments to transporting officers.

These deficiencies could result in inaccurate reporting and misappropriation of assets. By not maintaining a log of hours worked by transporting officers, workers can be over or under compensated and the sheriff assumes the risk of workers disputing the amount paid. Further, the sheriff is not in compliance with contractual obligations.

Good internal controls dictate the sheriff should monitor disbursements to ensure adequate supporting documentation exists and to ensure compliance with state laws and contract agreements. The contract with the community mental health center states, "Green County Sheriff's Department agrees to provide a law enforcement officer (two, when necessary) to accompany, provide support, and transport, if necessary, persons charged with violating KRS 202 A/B in conjunction with diverting these individuals from Green County Jail."

In Funk v. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

We recommend the sheriff strengthen controls over disbursements to transporting officers to ensure payments are properly supported and to ensure compliance with state laws and contract agreements. Further, we recommend the sheriff maintain a log of transport officers' hours worked to support disbursements to officers.

Sheriff's Response: Will keep more paper work.

GREEN COUNTY
 ROBBY BEARD, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-004 The Green County Sheriff's Controls Over Payroll Did Not Operate Effectively

The Green County Sheriff's controls over payroll did not operate effectively. Employees' timesheets do not always document their actual hours worked. The sheriff is not maintaining accurate leave balance reports for employees. Also, the sheriff pays transporting officers as contract workers; however, it appears the sheriff should treat these officers as employees. The following exceptions were noted during payroll testing:

- One monthly timesheet out of 12 tested documents the employee worked seven hours overtime during two pay periods; however, the employee did not receive overtime pay.
- One monthly timesheet out of 12 tested documents start and end times for one employee that reflect 40 hours worked in one week; however, the employee's leave balance report shows 40 hours vacation leave was taken by the employee that week.
- Leave balance reports for all four full-time employees document vacation and/or sick leave taken during the year that is not recorded on the employees' timesheets.
- One employee's timesheets document 40 hours of vacation leave taken during the year that was not recorded on his leave balance report.
- One employee's leave balance report and timesheets reflect he received pay for 64 hours of vacation leave taken; however, the employee was only eligible for 40 hours of vacation leave based on his hire date.
- Leave balance reports maintained by the sheriff do not document employee's accrued sick leave balances.
- Leave balance reports are maintained in Excel and there is no evidence that the sheriff reviews these reports when he reviews and initials timesheets.
- The sheriff paid one state withholding payment late to the Department of Revenue.
- The sheriff does not have a written agreement and Form W-9, Request for Taxpayer Identification Number and Certification, on file for any of the transporting officers he pays as independent contractors.
- The sheriff failed to issue a Form-1099 to one transporting officer who earned more than \$600 in the calendar year and underreported compensation on one transporting officer's Form-1099 by \$100.
- The sheriff paid an existing employee of the sheriff's office contract labor payments for transporting patients and prisoners instead of the hours worked being part of the employee's regular pay.

According to the sheriff, employees are salaried employees; therefore, they do not receive overtime pay. In addition, the sheriff stated he was not aware a written agreement and signed Form W-9 is required to be on file for all independent contractors. Per the sheriff's bookkeeper, the employee's timesheet referenced in the first bullet point above was incorrect; the employee had written down an extra day of call time each pay period that he did not work. Also, the sheriff's office stated that this is a small office and employees take time off as needed. The employees don't always remember to document leave time taken on their timesheets.

By not ensuring that timekeeping records and leave balance reports are properly maintained, employees can be over or under compensated. The sheriff assumes the risk of employees disputing the number of hours worked and the amount of paid leave time they have available. Further, the sheriff is not in compliance with IRS regulations regarding employee and contract labor payments. Due to the late payment of a payroll tax liability, the sheriff paid \$10 in late penalties and interest to the state.

GREEN COUNTY
 ROBBY BEARD, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2021
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-004 The Green County Sheriff's Controls Over Payroll Did Not Operate Effectively (Continued)

Strong internal controls over payroll and timekeeping are vital in ensuring that payroll amounts are calculated and accounted for properly. Strong internal controls are also important in safeguarding the sheriff's assets and those given the responsibility of accounting for them, as well as helping make certain the sheriff is in compliance with state statutes and IRS regulations. Further, good internal controls dictate the sheriff should maintain a written agreement with any independent contractors of the sheriff's office.

Timesheets should reflect actual hours worked by employees. KRS 337.320(1) states, in part "[e]very employer shall keep a record of: ... (b) The hours worked each day and each week by each employee[.]"

KRS 337.285 requires employers to pay employees for hours worked in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed. *The Green County Personnel Policy* states, "[t]he standard work week for county employees shall be 32 or 40 hours per week[.]" 29 C.F.R. § 541.3(b) provides that police officers, deputy sheriffs, and other first responders are not exempt from overtime provisions and regulations set forth in the Fair Labor Standards Act (FLSA).

The Green County Personnel Policy states, "[a]ll regular full-time employees working a forty (40) hour week shall be entitled to five (5) days paid vacation after completion of one (1) year of service from the date of hire. He or she shall be entitled to ten (10) days of paid vacation upon the completion of (2) years of service from the date of hire." Regarding sick leave, the policy states, "[s]ick leave may be accumulated to a maximum of five (5) working days during 1st year of service, ten (10) days after 2nd year of service... Sick leave days may be accrued up to a maximum of 180 days."

In *Funk v. Milliken*, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

IRS Publication 15 (Circular E) states, "Generally a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done." According to IRS guidance, Form 1099-NEC should be filed to report payments of \$600 or more in one calendar year for services performed by someone who is not your employee. In addition, a Form W-9, Request for Taxpayer Identification Number and Certification, should be completed by the contractor and kept on file for four years.

We recommend the sheriff strengthen internal controls over the payroll process to ensure payroll amounts are calculated and accounted for properly and that employees working overtime are adequately compensated. We recommend the sheriff track and maintain accurate leave balance reports for all employees in accordance with the sheriff's personnel policy. Further, we recommend the sheriff consult with the county attorney to evaluate whether transporting officers should be treated as employees of the sheriff's office instead of independent contractors. Lastly, we recommend the sheriff deposit personal funds of \$10 to reimburse the 2021 fee account for the disallowed penalties and interest charged on the late payment. This finding will be referred to the Kentucky Labor Cabinet.

Sheriff's Response: Lack of help.