

**REPORT OF THE AUDIT OF THE  
HARDIN 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 Keith Taul, Hardin County Judge/Executive  
The Honorable John Ward, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Hardin County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2021, and the related notes to the financial statements.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statements present fairly, in all material respects, the receipts and disbursements of the Hardin County Sheriff and the receipts, disbursements, and fund balances of the Hardin County Sheriff's operating fund and county fund with the state treasurer 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 Opinions on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Hardin 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 Fee Official Audits*. 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 Hardin 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 Keith Taul, Hardin County Judge/Executive  
The Honorable John Ward, Hardin County Sheriff  
Members of the Hardin 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 statements, the financial statements are prepared by the Hardin 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 statements 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 Statements**

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are 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 Hardin 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 Hardin 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 Keith Taul, Hardin County Judge/Executive  
The Honorable John Ward, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022, on our consideration of the Hardin 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 Hardin 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 Hardin County Sheriff Has A Lack Of Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2021-002 The Hardin County Sheriff Has A Lack Of Controls Over Disbursements

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts  
Frankfort, KY

November 14, 2022

HARDIN COUNTY  
JOHN WARD, SHERIFF  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2021

Receipts

Federal Grant - High Intensity Drug Trafficking Area (HIDTA)	\$	1,351
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		178,205
State Fees for Services:		
Finance and Administration Cabinet	\$	223,514
Sheriff Security Service		76,745
Traffic School		4,239
Transporting Prisoners		35,513
		340,011
Circuit Court Clerk		31,939
Fiscal Court		1,660,430
County Clerk - Delinquent Taxes		87,429
Commission on Taxes		2,113,734
Fees Collected for Services:		
Auto Inspections		45,205
Accident /Police Reports		3,850
Serving Papers		241,049
Carry Concealed Deadly Weapon Permits		43,170
Partnership With Schools		401,734
		735,008
Other:		
Add-On Fees		106,880
Miscellaneous		60,313
Elizabethtown Community College		84,000
City of Elizabethtown		13,750
Grants		8,625
		273,568
Interest Earned		2,114
Total Receipts		5,423,789

The accompanying notes are an integral part of the financial statements.



HARDIN COUNTY  
 JOHN WARD, SHERIFF  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
 For The Year Ended December 31, 2021  
 (Continued)

Disbursements

Other Disbursements:

Overpayments/Refunds		\$	260
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Total Disbursements			260
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Net Receipts			5,423,529
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Payments to State Treasurer:

75% Operating Fund *	\$	4,952,879	
25% County Fund		470,635	5,423,514

Balance Due at Completion of Audit		\$	15
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\* Includes reimbursed expenses in the amount of \$3,478,864 for the audit period.  
 See Note 1 of Notes to Financial Statements.

HARDIN COUNTY  
JOHN WARD, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2021

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2021	\$ 25,485	\$ 258,072	\$ 283,557
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	4,952,879		4,952,879
Fees Paid to State - County Funds (25%)		470,635	470,635
Total Funds Available	4,978,364	728,707	5,707,071
<u>Disbursements</u>			
Hardin County Fiscal Court		728,707	728,707
Personal Services-			
Official's Statutory Maximum	133,196		133,196
Official's Training Incentive	8,686		8,686
Deputies' Salaries	2,311,287		2,311,287
Employee Benefits-			
Employer's Share Social Security	180,069		180,069
Employer's Share Retirement	718,514		718,514
Employer's Share Health Insurance	383,090		383,090
Employer's Share Life Insurance	606		606
Workers' Compensation	11,547		11,547
Contracted Services-			
Advertising	642		642
Computer Services	18,564		18,564
Supplies and Materials-			
Office Supplies	52,602		52,602
Law Enforcement Supplies	99,957		99,957
Uniforms	32,071		32,071

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
 JOHN WARD, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2021  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Other Charges-			
Dues, Insurance and Bonds	\$ 156,126	\$	\$ 156,126
Laundry and Dry Cleaning	8,850		8,850
Postage	10,731		10,731
Extradition	27,689		27,689
Telephone	6,882		6,882
Notary	80		80
Internet Service	4,483		4,483
Training	27,268		27,268
Firing Range	825		825
Video Arraignment	4,124		4,124
Auto Expenses-			
Gasoline	117,279		117,279
Radio Maintenance and Electronic	122,172		122,172
Maintenance	96,906		96,906
Capital Outlay-			
Equipment	26,314		26,314
Vehicles	401,009		401,009
Total Disbursements	4,961,569	728,707	5,690,276
Fund Balance - December 31, 2021	\$ 16,795	\$ 0	\$ 16,795

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

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 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.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

Also, some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

The financial statements have 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:

- Interest receivable
- Collection on accounts due from others for 2021 services
- Reimbursements for 2021 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2021

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).

HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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 Board of Trustees of the Kentucky Public Pensions Authority (KPPA). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The sheriff's contribution for calendar year 2019 was \$654,077, calendar year 2020 was \$615,578, and calendar year 2021 was \$718,514.

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.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the Kentucky Retirement System insurance fund.

HARDIN COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2021  
 (Continued)

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

Hazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute eight percent of their annual creditable compensation and 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 Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 39.58 percent for the first six months and 44.33 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%

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.

HARDIN COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 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)

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, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

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

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

Once members reach a minimum vesting period of 15 years, they earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

D. Cost of Living Adjustments - Tier 1

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

HARDIN COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2021  
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

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

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

F. Death Benefit

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

Kentucky Retirement Systems Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement Systems 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 Systems 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 Hardin 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 Hardin 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.



HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021  
(Continued)

Note 4. High Intensity Drug Trafficking Area (HIDTA) Grant

The Hardin County Sheriff's office was awarded a federal grant in the amount of \$1,351 from the Appalachia High Intensity Drug Trafficking Area (HIDTA) during calendar year ended December 31, 2021.

Note 5. Long-Term Debt

Direct Borrowings

A. On January 24, 2019, Magnolia Bank issued a loan in the amount of \$79,775 for the purpose of purchasing two vehicles for the sheriff's office. Principal and interest, which was calculated as set forth on amortization schedule, was due annually beginning on January 24, 2019. The balance of this note was \$0 as of December 31, 2021.

B. Changes In Long-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	\$ 62,673	\$	\$ 62,673	\$	\$
Total Long-term Debt	<u>\$ 62,673</u>	<u>\$ 0</u>	<u>\$ 62,673</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 6. Discretionary Fund Account

The Hardin County Sheriff has established a discretionary account as provided by KRS 64.345. This fund is used to cover additional expenses including extraordinary office expenses in amounts authorized by the approving authority. The account had a beginning balance of \$1,283 with receipts of \$2,500 and \$3,783 of disbursements for calendar year 2021. The account balance was \$0 as of December 31, 2021.

Note 7. Drug Forfeiture Account

The sheriff has a drug forfeiture account which is used for receiving forfeited drug money. This money is used to purchase law enforcement equipment, fund drug investigations, and engage in other drug enforcement related activities. This account had a beginning balance of \$14,365 with receipts and disbursements totaling \$4,971 and \$775, respectively. The ending balance as of December 31, 2021, was \$18,561.

Note 8. DARE Account

The sheriff maintains a Drug Awareness Resistance Education (DARE) account. This account had a beginning balance of \$873 with no activity during the year. The ending balance as of December 31, 2021, was \$873.

HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021  
(Continued)

Note 9. Special Account

The sheriff maintains a special account that is used for receipts that are not considered fee receipts. All required documentation and ledgers were maintained. The fund had a beginning balance of \$4,186. There were no receipts during the year. Disbursements totaled \$260 for law enforcement supplies. The ending balance was \$3,926 as of December 31, 2021.

Note 10. Extradition Account

The sheriff has an extradition account to account for transport of prisoners. Funds received from the state are deposited to the extradition account and then disbursed to the provider of the transport service and the fee account. Receipts and disbursement totaled \$34,268, respectively, and of the amount disbursed, \$6,579 was paid to the fee account and \$27,689 to transport service providers.

Note 11. Imprest Account

The Finance & Administration – County Fee Systems Branch authorized the Hardin County Sheriff to administer an Imprest Cash Fund in the amount of \$7,500. This fund is to be used for expenses, such as postage and other necessary expenses \$1,000 or less that need to be paid in less than 10 days, except travel and payroll expenses.

Note 12. Related Party Transactions

- A. The sheriff's office conducted business with a business owned by the son of the chief deputy for vehicle repair and maintenance totaling \$3,200 for 2021.
- B. The sheriff's office conducted business with the daughter of a deputy sheriff for vehicle detailing totaling \$450 for 2021.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS 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  
Statements Performed In Accordance With *Government Auditing Standards*

**Independent Auditor's Report**

The Honorable Keith Taul, Hardin County Judge/Executive  
The Honorable John Ward, Hardin County Sheriff  
Members of the Hardin 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 and Disbursements - Regulatory Basis of the Sheriff of Hardin County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2022. The Hardin County Sheriff's financial statements are 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 statements, we considered the Hardin County Sheriff's 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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hardin County Sheriff's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With *Government Auditing Standards*  
(Continued)

**Internal Control Over Financial Reporting (Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hardin County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Views of Responsible Official and Planned Corrective Action**

The Hardin County Sheriff's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The Hardin County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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

November 14, 2022

## SCHEDULE OF FINDINGS AND RESPONSES

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HARDIN COUNTY  
JOHN WARD, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2021

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2021-001    The Hardin County Sheriff Has A Lack Of Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

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The Hardin County Sheriff has a lack of segregation of duties and did not document compensating controls. There are four office personnel that collect receipts from customers. One of the office clerks prepares the daily checkout sheet and deposit ticket, posts to the receipts ledger through excel, prepares the monthly report, and helps complete the monthly bank reconciliation. Another office clerk prepares the purchase order, receives invoices, posts to the ledger, and mails disbursement checks. The bookkeeper posts to the ledger through a software program, completes the quarterly reports, creates and signs checks, signs and approves purchase orders, and prepares the monthly bank reconciliations. The sheriff has implemented some compensating controls; however, several areas noted above did not have proper documentation of review. During testing, auditors noted daily checkout sheets, deposit tickets, monthly reports, and ledgers had no documentation of review. Invoices were documented after review, and bank reconciliations were not thoroughly reviewed based on errors noted throughout testing.

The sheriff does not have segregation of duties as part of internal controls for the office due to the limited staff size due to the budget. Without proper segregation of duties, the risk of misstatement significantly increases due to undetected errors and theft.

Strong internal controls and procedures are vital to ensure proper segregation of duties over collection, reporting, depositing, disbursing, and reconciling receipts and disbursements. If duties are not segregated, effective compensating controls should be maintained and documented.

We recommend the Hardin County Sheriff's office implement the compensating controls listed below, in addition to the compensating controls that have been implemented. In addition, the person responsible for reviewing a document and initialing should be independent of who prepared the document.

- The daily checkout sheet, deposit ticket, and receipts issued should be reviewed and initials documented on the checkout sheet and deposit ticket.
- The monthly report and ledger should be reviewed and documented.
- The bank reconciliation should be reviewed thoroughly and agreed to the quarterly report. Any differences noted should be addressed.
- Purchase orders should be completed prior to receiving an invoice from a vendor.
- Invoices should be reviewed and compared to the disbursement check. Documentation of initials should be on the invoice after review.

*Sheriff's Response: We try to complete all of the cross initialing we have been directed to do by previous auditors. We will make further attempts to initial all documents.*

HARDIN COUNTY  
 JOHN WARD, SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2021  
 (Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2021-002 The Hardin County Sheriff Has A Lack Of Controls Over Disbursements

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Auditors randomly selected disbursements to test from each account maintained by the Hardin County Sheriff's office. Auditors tested 16 fee account transactions, 13 imprest account transactions, five extradition account transactions, seven discretionary account transactions, one special account transaction, and six drug account transactions. The following transactions noted exceptions and control deficiencies:

- All accounts tested noted invoices were not stamped with date received.
- Two of the 16 transactions tested from the fee account included purchase orders that were not properly authorized indicating approval.
- All transactions tested for extradition, discretionary, special, and drug accounts did not maintain invoices that were properly authorized indicating approval prior to payment.
- One transaction tested from the fee account included late charges of ten dollars.
- One of 13 transactions tested from the imprest account was not paid within 30 days of the invoice date.
- All invoices tested from the extradition account were not paid within 30 days of the invoice date.

The official did not monitor/review to make sure requirements were followed. The sheriff is in noncompliance with Funk vs. Milliken due to the spending of public funds on late fees charged, which is considered personal in nature and not necessary for the office. A lack of monitoring controls led to disbursements not having invoices stamped with the date received, invoices not being paid within 30 days, late fees charged, and no documentation of approval on purchase orders or invoices.

Funk vs. 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. Proper internal controls indicate that all invoices be stamped with the date received, invoices should be paid within 30 days of receiving the invoice, and supporting documentation should document approval. These procedures can reduce the risk of a material misstatement or fraudulent activity occurring.

We recommend the Hardin County Sheriff implement proper internal controls over disbursements by ensuring invoices are stamped with the date received in the lower left-hand corner, invoices are paid within 30 days of receiving the invoice, and invoices or purchase orders should be documented with approval prior to payment and agreed to the check issued.

*Sheriff's Response: HCSO is NOT required to stamp - with date received stamp and is not in SOP's or any manual we have. Extradition, Special, and Drug accounts can be verbally authorized for approval for payment at the discretion of the Sheriff, CFO, or Chief Deputy. The Discretionary Account (which the Auditors had no knowledge of and had the need to call their manager for advice) can only be used by the Sheriff and needs no PO. Some items will not have PO's if approved by the Sheriff, CFO, or Chief Deputy. Occasionally, we will have a late fee. The mail is extremely uncontrollable as to when we receive it, and credit card bills received only have a 5-day turn-around. We have hand delivered the bills on multiple occasions to make sure there are no late fees assessed.*

Auditor's Reply: The Kentucky Finance and Administration Cabinet's *Financial Operation In Counties With Population Of 70,000 Or More* manual states, "[y]ou must attach the vendor's original bill or invoice, with the date you received it stamped in the lower left hand corner. You should retain a copy for your records." Also, as mentioned above to reduce the risk of material misstatement and fraud, good internal controls dictate that supporting documentation should document approval.