

**REPORT OF THE AUDIT OF THE
LARUE 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 Blake Durrett, LaRue County Judge/Executive
The Honorable Russell McCoy, LaRue County Sheriff
Members of the LaRue 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 LaRue 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 LaRue 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 LaRue 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 LaRue 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 Blake Durrett, LaRue County Judge/Executive
The Honorable Russell McCoy, LaRue County Sheriff
Members of the LaRue 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 LaRue 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 LaRue 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 LaRue 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 Blake Durrett, LaRue County Judge/Executive
The Honorable Russell McCoy, LaRue County Sheriff
Members of the LaRue County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, on our consideration of the LaRue 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 LaRue 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 LaRue County Sheriff's Office Did Not Follow Proper Purchase And Procurement Procedures Required By The Model Procurement Code And County Administrative Code
- 2021-002 The Larue County Sheriff's Calendar Year 2021 Annual Order Setting Maximum Amount For Deputies And Assistants Was Not Set By The Fiscal Court

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, KY

October 17, 2022

LARUE COUNTY
 RUSSELL MCCOY, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2021

Receipts

Federal:

Grant Passed Through - Traffic Safety Grant	\$	7,842
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State Fees For Services:

Finance and Administration Cabinet	\$ 11,238	
Sheriff Security Service	9,670	20,908

Circuit Court Clerk:

Fines and Fees Collected		5,619
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Fiscal Court		125,269
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County Clerk - Delinquent Taxes		20,372
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Commission On Taxes Collected		337,100
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Fees Collected For Services:

Auto Inspections	4,755	
Accident/Police Reports/Fingerprints, Tax Bills	2,183	
Serving Papers	22,345	
Carry Concealed Deadly Weapon Permits	6,860	
Task Force Payroll	1,798	37,941

Other:

Add-On Fees	8,298	
Miscellaneous	244	
Telecommunications Tax	2,689	11,231

Interest Earned		445
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Borrowed Money:

State Advancement		150,000
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Total Receipts		716,727
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The accompanying notes are an integral part of this financial statement.

LARUE COUNTY
 RUSSELL MCCOY, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2021
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies' Gross Salaries	\$ 233,472	
Full Time Gross Salaries	62,521	
Contracted Services-		
Advertising	67	
Vehicle Maintenance and Repairs	13,726	
Materials and Supplies-		
Office Materials and Supplies	2,599	
Uniforms	9,729	
Other Charges-		
Conventions and Travel	900	
Dues	500	
Postage	567	
Bond	4,683	
Extradition	806	
Miscellaneous	300	
Training	844	
Computer Service	11,262	
Range	251	
Evidence Supplies	252	
Capital Outlay-		
Office Equipment	178	
Radio Equipment	325	
Vehicle Equipment	10,710	
Weapons/Ammo	3,583	\$ 357,275
Debt Service:		
State Advancement	150,000	
Vehicle Purchase	113,070	263,070
Total Disbursements		<u>\$ 620,345</u>
Net Receipts		96,382
Less: Statutory Maximum		<u>91,796</u>
Excess Fees		4,586
Less: Training Incentive Benefit		<u>4,373</u>
Balance Due Fiscal Court at Completion of Audit*		<u>\$ 213</u>

* - The sheriff presented a check to the fiscal court for excess fees on October 18, 2022.

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

LARUE 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).

LARUE 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.

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

LARUE COUNTY
 NOTES TO FINANCIAL STATEMENT
 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 one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a seven and one-half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for hazardous employees was 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:

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.

LARUE 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)

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

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

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

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

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

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

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

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

D. Cost of Living Adjustments - Tier 1

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

LARUE 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)

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

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

F. Death Benefit

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

Kentucky Retirement System Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Kentucky Retirement System also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The LaRue 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 LaRue 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.

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

Note 4. Federal Grant

The LaRue County Sheriff's office received a State and Community Highway Safety grant passed through the Kentucky Transportation Cabinet's Office of Highway Safety. The amount received under the grant agreement was \$7,842 for calendar year 2021.

Note 5. Short-term Debt

Direct Borrowing – State Advancement

A. The LaRue County Sheriff's office received a state advancement of funds in the amount of \$150,000 to defray the expenses of the office for the calendar year 2021, in accordance with KRS 64.140. State advancements must be paid in full from the fee account in which they are received. The loan was repaid on December 27, 2021.

B. Changes in Short-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance
Direct Borrowing	\$	\$ 150,000	\$ 150,000	\$
Total Short-term Debt	\$ 0	\$ 0	\$ 0	\$ 0

Note 6. Lease Agreements

The LaRue County Sheriff's office was committed to the following lease agreements as of December 31, 2021:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2021
Copier	\$ 100	60 months	2/04/2025	\$ 3,900
Tasers	2,619	5 year	5/16/2023	5,238

Note 7. Drug Fund

The LaRue County Sheriff's office maintains a drug fund for monies received from court ordered payments. These monies are to be used for law enforcement relating to drugs and other restricted uses. The balance in this account was \$15,380 on January 1, 2021. During 2021, receipts to the drug fund totaled \$17,335 and funds expended totaled \$22,511. The balance was \$10,204 as of December 31, 2021.

Note 8. Related Party Transaction

The LaRue County Sheriff's office conducted business with a sheriff's deputy's father for the purchase of office supplies and equipment. For calendar year 2021, the sheriff's office expended \$199 with the business.

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

Note 9. Donation Account

The LaRue County Sheriff's office maintains a donation account. The balance in this account was \$0 on January 1, 2021. During 2021, receipts to the donation account totaled \$2,550 and funds expended totaled \$2,500. The balance was \$50 as of December 31, 2021.

Note 10. On Behalf Payments

The LaRue County Fiscal Court paid the sheriff's training incentive as reflected on the sheriff's financial statement. For the year ended December 31, 2021, the fiscal court's contributions recognized by the sheriff included the amounts that were based on the training incentive as required by KRS 64.5275. The LaRue County Sheriff recognized receipts from the fiscal court and disbursements for the training incentive of \$4,373 for the year ended 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 Blake Durrett, LaRue County Judge/Executive
The Honorable Russell McCoy, LaRue County Sheriff
Members of the LaRue 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 LaRue County Sheriff for the year ended December 31, 2021, and the related notes to the financial statement and have issued our report thereon dated October 17, 2022. The LaRue 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 LaRue 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 LaRue County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the LaRue County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2021-001 to be a material weakness.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LaRue 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 and 2021-002.

Views of Responsible Official and Planned Corrective Action

The LaRue 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 LaRue 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", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, KY

October 17, 2022

SCHEDULE OF FINDINGS AND RESPONSES

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LARUE COUNTY
RUSSELL MCCOY, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2021

FINANCIAL STATEMENT FINDINGS:

2021-001 The LaRue County Sheriff's Office Did Not Follow Proper Purchase And Procurement Procedures Required By The Model Procurement Code And County Administrative Code

The LaRue County Sheriff was not in compliance with the model procurement code adopted by the county related to bidding. During calendar year 2021, the sheriff purchased three vehicles from an out-of-state vendor each over \$30,000 totaling \$111,455. One of these vehicles also received a trade-in allowance of \$3,500 on a used sheriff's vehicle no longer needed. The vehicles were not advertised for bids by the sheriff or fiscal court, the state price contract vendor was not used, and the final agreed prices paid were higher than the state price contract. Further, the proper surplus procedures were not followed at the time.

The sheriff was not aware of the purchasing procedures necessary when these vehicles were needed and were not available at the time due to supply issues. The fiscal court declared the trade-in vehicle as surplus and no longer needed, but not until September 27, 2022 (Nunc Pro Tunc).

As a result, the sheriff was not in compliance with purchase procedures and procurement laws or the model procurement code adopted by the fiscal court related to bidding and surplus items and may not have received the lowest or best value for the products provided. Competitive bidding ensures the sheriff procures equipment and services at the best price available.

The LaRue County Fiscal Court has adopted the provisions of the Kentucky Model Procurement Code pursuant to KRS 45A.345 through 45A.460 as authorized by KRS 45A.343. KRS 45A.365(1) states, in part, "[a]ll contracts or purchases shall be awarded by competitive sealed bidding, which may include the use of a reverse auction, except as otherwise provided by KRS 45A.370 to 45A.385[.]" The vehicles purchased did not comply with the requirements of other non-bidding alternatives allowed in KRS 45A.370 to 45A.385.

Section IV 420.1 (Purchases and Contracts) of the LaRue Administrative Code states, "State-Price Contracts shall be utilized whenever feasible, upon determination of the fiscal court and judge/executive." Section IV 421.1 and 421.2 states, "The negotiated process may be used instead of advertisement of bids if the amount exceeds \$5,000 in the following circumstances: (a) an emergency exists; (b) the contract is for professional services; (c) all bids received exceed the amount budgeted. Before an emergency is declared the Judge/Executive shall determine whether or not delay in obtaining bids will result in danger to health, safety or property and submit such determination to the Fiscal Court."

Furthermore, KRS 67.0802(3) states, "[b]efore selling or otherwise disposing of any real or personal property, the county shall make a written determination setting forth and fully describing: (a) The real or personal property; (b) Its intended use at the time of acquisition; (c) The reasons why it is in the public interest to dispose of it; and (d) The method of disposition to be used." KRS 67.0802(4) states, in part, "[r]eal or personal property may be: ... (f) Traded towards the acquisition of the same or similar type of property if the value of the property the county is receiving in exchange equals or exceeds the actual fair market value of the property it traded as determined using an independent appraisal[.]"

We recommend the sheriff monitor disbursements to ensure the model procurement code and purchase procedures adopted by the county are properly followed.

LARUE COUNTY
RUSSELL MCCOY, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-001 The LaRue County Sheriff's Office Did Not Follow Proper Purchase And Procurement Procedures Required By The Model Procurement Code And County Administrative Code (Continued)

Sheriff's Response: At the time of purchase, we attempted to purchase vehicles on the state contract, but no vehicles were available for several months out due to the COVID pandemic. These vehicles were needed to replace vehicles that had developed issues due to the age and mileage and had to be replaced for safety issues. We were able to find vehicles from another dealership that we could obtain in a short amount of time to replace the older vehicles. Therefore, for the safety of officers, the vehicles were purchased from another agency. All documents pertaining to conversations with the state contract holder and the dealership we purchased the new vehicles from were provided to the auditor.

2021-002 The LaRue County Sheriff's Calendar Year 2021 Annual Order Setting Maximum Amount For Deputies And Assistants Was Not Set By The Fiscal Court

The Larue County Sheriff's office did not ensure the fiscal court completed the Annual Order Setting Maximum Amount For Deputies & Assistants form required by the Department for Local Government (DLG) for calendar year 2021. The Larue County Judge/Executive stated the fiscal court failed to get this approved for calendar year 2021. By not setting this annual order, the sheriff's office is not able to determine the maximum amount he can spend out of the fee account for deputies, assistants, and other employees.

KRS 64.530(3) states, in part, "the fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant."

We recommend the sheriff and the Larue County Fiscal Court ensure this form is completed each year as required by statute and DLG.

Sheriff's Response: This issue was due to an oversight but has been corrected.