

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

**For The Period
January 1, 2022 Through May 17, 2022**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Raymond Banks, Wolfe County Judge/Executive
The Honorable Chris Carson, Former Wolfe County Sheriff
The Honorable Greg Banks, Wolfe County Sheriff
Members of the Wolfe County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Sheriff of Wolfe County, Kentucky, for the period January 1, 2022 through May 17, 2022, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Wolfe County Sheriff for the period January 1, 2022 through May 17, 2022, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the former Wolfe County Sheriff, as of May 17, 2022, or changes in financial position or cash flows thereof for the period then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the former Wolfe 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 Raymond Banks, Wolfe County Judge/Executive
The Honorable Chris Carson, Former Wolfe County Sheriff
The Honorable Greg Banks, Wolfe County Sheriff
Members of the Wolfe County Fiscal Court

Basis for Opinion (Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the former Wolfe County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the former Wolfe County Sheriff's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the former Wolfe County Sheriff's ability to continue as a going concern for a reasonable period of time.

The Honorable Raymond Banks, Wolfe County Judge/Executive
The Honorable Chris Carson, Former Wolfe County Sheriff
The Honorable Greg Banks, Wolfe County Sheriff
Members of the Wolfe County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

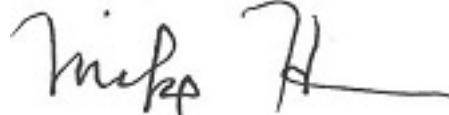
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, on our consideration of the former Wolfe County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the former Wolfe County Sheriff's internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report findings:

- 2022-001 The Former Sheriff's Office Did Not Have Adequate Segregation Of Duties
- 2022-002 The Former Sheriff's Financial Statement Was Materially Misstated
- 2022-003 The Former Sheriff Did Not Make Daily Deposits

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, KY

April 27, 2023

WOLFE COUNTY
CHRIS CARSON, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2022 Through May 17, 2022

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 31,395	
Sheriff Security Service	<u>1,408</u>	\$ 32,803

Circuit Court Clerk:

Fines and Fees Collected	2,940	
Court Ordered Payments	<u>350</u>	3,290

Fiscal Court		51,308
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County Clerk - Delinquent Taxes		414
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Commission On Taxes Collected		14,005
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Fees Collected For Services:

Auto Inspections	85	
Accident and Police Reports	50	
Serving Papers	4,288	
Carry Concealed Deadly Weapon Permits	<u>440</u>	4,863

Other:

Add-On Fees	6,070	
Miscellaneous	<u>178</u>	6,248

Borrowed Money:

State Advancement		<u>12,000</u>
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Total Receipts		124,931
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Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 13,730
Part-Time Salaries	24,377
Other Salaries	20,407
Secretary Salary	10,860
KLEFFP	2,096

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

WOLFE COUNTY
 CHRIS CARSON, FORMER SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Period January 1, 2022 Through May 17, 2022
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:

Contracted Services-			
Advertising	\$	415	
Vehicle Maintenance and Repairs		690	
Materials and Supplies-			
Office Materials and Supplies		136	
Uniforms		540	
Telephone		205	
Auto Expense-			
Gasoline		4,553	
Other Charges-			
Postage		122	
Miscellaneous		3,453	
Capital Outlay-			
Leases		645	\$ 82,229
Total Disbursements			<u>\$ 82,229</u>
Net Receipts			42,702
Less: Statutory Maximum			<u>34,784</u>
Excess Fees Due Fiscal Court at Completion of Audit*			<u><u>\$ 7,918</u></u>

* - The former sheriff presented a check to the fiscal court for excess fees on May 3, 2023.

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT

May 17, 2022

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants by March 15 of each year. KRS 64.830 requires an outgoing sheriff to make a final settlement with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2022 services
- Reimbursements for 2022 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2022

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WOLFE COUNTY
 NOTES TO FINANCIAL STATEMENT
 May 17, 2022
 (Continued)

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

The sheriff's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Kentucky Public Pensions Authority (KPPA). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the CERS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the CERS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 26.95 percent for the period January 1, 2022 through May 17, 2022.

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%

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
May 17, 2022
(Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
May 17, 2022
(Continued)

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

Kentucky Retirement System Annual Financial Report and Proportionate Share Audit Report

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

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

Note 3. Deposits

The former Wolfe 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 – Deposit

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The former Wolfe County Sheriff did not have a deposit policy for custodial credit risk, but rather followed the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of May 17, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Short-term Debt

A. Direct Borrowings - State Advancement

1. The former Wolfe County Sheriff received a state advancement of funds totaling \$12,000 in accordance with KRS 64.140. As of May 17, 2022, the ending balance was \$12,000.

B. Changes in Short-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance
Direct Borrowings	\$	\$ 12,000	\$	\$ 12,000
Total Short-term Debt	\$ 0	\$ 12,000	\$ 0	\$ 12,000

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
May 17, 2022
(Continued)

Note 5. Lease Agreement

The Wolfe County Sheriff's office was committed to a lease agreement for a copier. The agreement requires a monthly payment of \$79 for 60 months to be completed on December 31, 2025. The Total remaining balance of the agreement was \$3,399 as of May 17, 2022.

Note 6. Subsequent Events

The former sheriff retired on May 17, 2022 and a new sheriff was appointed by the county judge/executive on May 18, 2022.

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 Raymond Banks, Wolfe County Judge/Executive
The Honorable Chris Carson, Former Wolfe County Sheriff
The Honorable Greg Banks, Wolfe County Sheriff
Members of the Wolfe County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Wolfe County Sheriff for the period January 1, 2022 through May 17, 2022, and the related notes to the financial statement and have issued our report thereon dated April 27, 2023. The former Wolfe County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the former Wolfe County Sheriff's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Wolfe County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Wolfe 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 2022-001, 2022-002, and 2022-003 to be material weaknesses.



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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Wolfe County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2022-002 and 2022-003.

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 long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, KY

April 27, 2023

SCHEDULE OF FINDINGS AND RESPONSES

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WOLFE COUNTY
CHRIS CARSON, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2022 Through May 17, 2022

FINANCIAL STATEMENT FINDINGS:

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

This is a repeat finding and was included in the prior year audit report as finding 2021-001. The former sheriff's office did not have adequate segregation of duties. A deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. The former sheriff had delegated the responsibilities of collecting, depositing, and recording all receipts and preparing/recording all checks to the bookkeeper. In addition, the bookkeeper prepared all bank reconciliations. No effective review or oversight procedures were noted.

The former sheriff's failure to adequately separate these duties increases the risk that errors and misstatements can occur, either accidental or intentional, and not be detected in a reasonable time period. If there had been proper oversight or review procedures in place, errors could have been discovered and corrected. Good internal controls dictate that the same employee should not be handling, recording, and reconciling cash receipts. Authorized check signers should be independent of check preparation, cash receiving, and purchasing.

We recommend the sheriff's office adequately segregate the functions of receiving, recording, and reconciling transactions to separate individuals. If this is not possible due to small staff size, the sheriff's office can implement and document compensating controls in order to limit the potential impact of inadequate segregation of duties. Examples of these compensating controls include:

- The sheriff or his designee should compare the daily bank deposit to the daily checkout sheet, and then compare the daily checkout sheet to the receipts ledger.
- The sheriff or his designee should compare the monthly financial reports to the receipts and disbursements ledgers for accuracy.
- The sheriff or his designee should periodically compare the monthly bank reconciliation to the balance in the checkbook and to the ledgers
- All disbursement checks should be signed by two people, with one being the sheriff or his designee.

We recommend all compensating controls be documented by initialing and dating the source documentation.

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

2022-002 The Former Sheriff's Financial Statement Was Materially Misstated

The former sheriff's financial statement for the period January 1, 2022 through May 17, 2022 was materially misstated. Receipt and disbursement activity that occurred after May 17, 2022, was not removed from the sheriff's financial statement, this resulted in receivables of \$34,430 being removed from receipts and \$21,496 of liabilities removed from disbursements.

The former sheriff's financial activity was combined with the incoming sheriff's financial activity. The former sheriff did not have proper controls in place nor adequate oversight to ensure the settlement was properly recorded. A materially misstated fourth quarter financial report could result in an increased risk of uncorrected errors, theft, loss, or misappropriated assets.

Good internal controls dictate that all transactions should be properly recorded and agree to the ledgers to produce an accurate representation of the financial activity and per KRS 64.830 settle accounts upon vacation of office.

WOLFE COUNTY
CHRIS CARSON, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period January 1, 2022 Through May 17, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Former Sheriff's Financial Statement Was Materially Misstated (Continued)

We recommend improving procedures over financial reporting to ensure all transactions are properly recorded and financial statements are materially stated.

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

2022-003 The Former Sheriff Did Not Make Daily Deposits

This was a repeat finding and was included in the prior year audit report as finding 2021-002. The former sheriff did not batch receipts daily and make daily deposits. Amounts reported on daily checkout sheets were properly documented and deposited, however, this was not achieved on a daily basis. We tested one week of daily receipts for April 18, through April 22, 2022. We noted that the daily checkout sheet dated April 18, 2022, included receipts. No other deposits were made that week, which indicates that receipts are being batched several days at a time and summarized on one checkout sheet.

The former sheriff failed to implement proper oversight and review procedures to ensure that receipts were being batched and deposited daily. Failure to deposit receipts daily increases the risk that funds will be lost, stolen, or otherwise misappropriated.

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*, page 64, sets forth the minimum requirements for local officials handling public funds and requires “[d]aily deposits intact into a federally insured banking institution.”

We recommend the sheriff's office implement proper oversight and review procedures to ensure they batch receipts daily, prepare a checkout sheet daily, and make daily deposits as required per the Uniform System of Accounts.

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