

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

**For The Year Ended  
December 31, 2016**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912**



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Melanie Roberts, Bullitt County Judge/Executive  
The Honorable Dave Greenwell, Former Bullitt County Sheriff  
The Honorable Donnie Tinnell, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the former Sheriff of Bullitt County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the former sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2016, and the related notes to the financial statements.

**Management's Responsibility 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 the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Melanie Roberts, Bullitt County Judge/Executive  
The Honorable Dave Greenwell, Former Bullitt County Sheriff  
The Honorable Donnie Tinnell, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

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

As described in Note 1 of the financial statements, the financial statements were prepared by the former Bullitt 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, 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.

### **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 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 each fund of the former Bullitt County Sheriff, as of December 31, 2016, or changes in financial position or cash flows thereof or the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the former Bullitt County Sheriff and the receipts, disbursements, and fund balances of the former sheriff's operating fund and county fund with the state treasurer for the year ended December 31, 2016, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018, on our consideration of the former Bullitt 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 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 entity's internal control over financial reporting and compliance.

The Honorable Melanie Roberts, Bullitt County Judge/Executive  
The Honorable Dave Greenwell, Former Bullitt County Sheriff  
The Honorable Donnie Tinnell, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

**Other Reporting Required by *Government Auditing Standards* (Continued)**

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:

- 2016-001 The Former Bullitt County Sheriff Did Not Have A Written Collateral Security Agreement To Protect Deposits
- 2016-002 The Former Bullitt County Sheriff Had Weak Controls Over Payroll Processing
- 2016-003 The Former Bullitt County Sheriff Lacked Adequate Controls Over Drug Buy Funds
- 2016-004 The Former Bullitt County Sheriff Had Weak Controls Over Secondary Employment
- 2016-005 The Former Bullitt County Sheriff Issued A \$3,000 Check To The Former Chief Deputy

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

February 22, 2018

BULLITT COUNTY  
DAVE GREENWELL, FORMER SHERIFF  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	153,774
State Fees for Services:		
Finance and Administration Cabinet	\$	24,743
Sheriff Security Service		184,384
Cabinet For Health And Family Services		34,885
		<u>244,012</u>
Fiscal Court		
Salary Supplement and DARE Salary		870,220
DARE Officer Support		20,833
Election Commission and Misc.		385
Retirement Reimbursement		547,329
Social Security Reimbursement		143,666
Insurance Reimbursement		345,314
Transport Prisoners		34,833
		<u>1,962,580</u>
County Clerk - Delinquent Taxes		70,684
Commission on Taxes		1,054,613
Commission on School Taxes		846,556
		<u>1,901,169</u>
Fees Collected for Services:		
Auto Inspections		20,875
Accident /Police Reports		10,030
Serving Papers		125,837
Carry Concealed Deadly Weapon Permits		56,915
		<u>213,657</u>
Other:		
Add-On Fees		134,200
Miscellaneous		70,061
Traffic Court		771
School Resource Officer		32,578
		<u>237,610</u>
Interest Earned		592
		<u>592</u>
Total Receipts		<u>4,784,078</u>

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



BULLITT COUNTY  
 DAVE GREENWELL, FORMER SHERIFF  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
 For The Year Ended December 31, 2016  
 (Continued)

Disbursements

Total Disbursements		<u>\$ 0</u>
Net Receipts		4,784,078
Payments to State Treasurer:		
75% Operating Fund *	\$ 4,458,459	
25% County Fund	<u>325,619</u>	<u>4,784,078</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

\* Includes reimbursed expenses in the amount of \$325,619 for the audit period.  
 See Note 1 of Notes to Financial Statements.

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

BULLITT COUNTY  
 DAVE GREENWELL, FORMER SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE FORMER SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2016

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2016	\$ 43,794	\$	\$ 43,794
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	4,458,459		4,458,459
Fees Paid to State - County Funds (25%)		325,619	325,619
Total Funds Available	<u>4,502,253</u>	<u>325,619</u>	<u>4,827,872</u>
<u>Disbursements</u>			
Bullitt County Fiscal Court		325,619	325,619
Personal Services-			
Official's Statutory Maximum	107,107		107,107
Official's Training Incentive	3,969		3,969
Deputies' Salaries	2,390,917		2,390,917
Employee Benefits-			
Employer's Share Social Security	174,387		174,387
Employer's Share Retirement	669,321		669,321
Employer's Share Health Insurance	438,603		438,603
Contracted Services-			
Advertising	522		522
Vehicle Maintenance Agreement	57,048		57,048
Computer Hardware	65,640		65,640
Supplies and Materials-			
Office Supplies	17,852		17,852
Uniforms/Equipment	35,228		35,228

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

BULLITT COUNTY  
 DAVE GREENWELL, FORMER SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE FORMER SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2016  
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Disbursements (Continued)</u>			
Other Charges-			
Dues	\$ 4,411	\$	\$ 4,411
Miscellaneous	8,014		8,014
Postage	21,448		21,448
Juror Expense	556		556
Telephone/Fax/Cellular	32,475		32,475
Training	5,060		5,060
Patrol Equipment	48,427		48,427
Transport	11,038		11,038
Auto Expenses-			
Gasoline	107,304		107,304
Capital Outlay-			
Vehicles	138,321		138,321
	<u>          </u>	<u>          </u>	<u>          </u>
Total Disbursements	<u>4,337,648</u>	<u>325,619</u>	<u>4,663,267</u>
Fund Balance - December 31, 2016	<u>\$ 164,605</u>	<u>\$ 0</u>	<u>\$ 164,605</u>

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

BULLITT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

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 due from the sheriff as determined by the audit.

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 demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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), at December 31:

- Interest receivable
- Collection on accounts due from others for 2016 services
- Reimbursements for 2016 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 2016

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).

BULLITT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016  
(Continued)

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

The county official and employees have 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 Retirement Systems (KRS). 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 former sheriff's contribution for calendar year 2014 was \$716,904, calendar year 2015 was \$630,554, and calendar year 2016 was \$669,321.

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 KRS 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 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 nonhazardous 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 17.06 percent for the first six months and 18.68 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 KRS 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.

BULLITT COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016  
 (Continued)

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

Members in the plan contribute a set percentage of their salary each month to their own account. 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 32.95 percent for the first six months and 31.06 percent for the last six months.

Health Insurance Coverage

CERS also 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.

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.

KRS 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.

BULLITT COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016  
 (Continued)

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

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages.aspx>. 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 Bullitt County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC 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.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure the sheriff's deposits may not be returned. The former Bullitt County Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 66.480(1)(d) and KRS 41.240. On January 5, 2016 and December 31, 2016, the sheriff's bank balance was exposed to custodial credit risk because the former sheriff did not have a written security agreement, as follows:

- Uninsured and Unsecured \$4,388,509 (January 5, 2016)
- Uninsured and Unsecured \$3,665,974 (December 31, 2016)

Note 4. Lease Agreements

The former Bullitt County Sheriff's office was committed to the following lease agreements as of December 31, 2016:

Item Purchased	Monthly Payment (*Paid Annually)	Term of Agreement	Ending Date	Principal Balance December 31,
Computer Hardware	\$ 3,155	36 Months	11/1/2018	\$ 69,410
Computer	2,000	12 Months	6/27/2017	12,000
Computer	250	12 Months	10/1/2017	2,250
Vehicles*	88,501	4 Years	7/2/2018	177,001
Vehicles*	44,424	3 Years	5/17/2018	88,848

BULLITT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016  
(Continued)

Note 5. DARE Account

The former sheriff's office maintained an account for the deposit of donations to be used for drug abuse resistance education (DARE) activities. The balance on January 1, 2016, was \$354. During calendar year 2016, receipts totaled \$2,954 and disbursements were \$2,030. The balance on December 31, 2016, was \$1,278.

Note 6. State Drug Confiscated Property Account

The former sheriff's office maintained an account for the deposit and disbursement of funds received as a result of property confiscated during drug-related law enforcement activities. These funds are to be expended for law enforcement purposes. The balance on January 1, 2016, was \$48,097. During calendar year 2016, receipts totaled \$29,064 and disbursements were \$76,100. The balance on December 31, 2016, was \$1,061.

Note 7. Credit Card Account

The former sheriff's office maintained an account for tax and fee credit card payments to the sheriff's office. The balance on January 1, 2016, was \$70. During calendar year 2016, receipts totaled \$224,396 and disbursements were \$224,466. The balance on December 31, 2016, was \$0.

Note 8. Federal Asset Forfeiture Account

The former sheriff's office maintained an account for the deposit and disbursement of funds received as a result of cash confiscated during federal drug-related law enforcement activities. The balance on January 1, 2016, was \$1,327. During calendar year 2016, receipts totaled \$43,118 and disbursements were \$28,168. The balance on December 31, 2016, was \$16,277.

Note 9. High Intensity Drug Enforcement Unit Account

The former sheriff's office maintained an account for the deposit and disbursement of funds associated with the seizure of funds held until the court system issues orders on what to do with the funds. The balance on January 1, 2016, was \$105,639. During calendar year 2016, receipts totaled \$119,696 and disbursements were \$6,480. The balance on December 31, 2016, was \$218,855.

Note 10. Explorer Account

The former sheriff's office maintained an account to run an explorer post. The balance on January 1, 2016, was \$5,142. During calendar year 2016, receipts totaled \$3,044 and disbursements were \$2,982. The balance on December 31, 2016, was \$5,204.

Note 11. Donation Account

The former sheriff's office opened an account to collect donations for bullet proof vests in September 2015. The balance on January 1, 2016, was \$6,477. During calendar year 2016, receipts totaled \$20,921 and disbursements were \$27,372. The balance on December 31, 2016, was \$26.



BULLITT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016  
(Continued)

Note 12. Contingencies

The former sheriff's office was involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

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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

The Honorable Melanie Roberts, Bullitt County Judge/Executive  
The Honorable Dave Greenwell, Former Bullitt County Sheriff  
The Honorable Donnie Tinnell, Bullitt County Sheriff  
Members of the Bullitt County Fiscal Court

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

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 former Sheriff of Bullitt County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the former Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2018. The former Bullitt 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 former Bullitt County Sheriff's control over financial reporting (internal control) to determine the 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 former Bullitt County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Bullitt 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 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. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as items 2016-002, 2016-003, 2016-004, and 2016-005 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the former Bullitt 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as item 2016-001.

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

The views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The 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,



Mike Harmon  
Auditor of Public Accounts

February 22, 2018

SCHEDULE OF FINDINGS AND RESPONSES

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BULLITT COUNTY  
DAVE GREENWELL, FORMER SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Former Bullitt County Sheriff Did Not Did Not Have A Written Collateral Security Agreement To Protect Deposits

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This is a repeat finding and was included in the prior year audit report as finding 2015-001. The former Bullitt County Sheriff did not have a written collateral security agreement with one of his banks. The former Bullitt county Sheriff failed to get a written agreement with a depository institution when he opened multiple accounts with them. By not obtaining a collateral security agreement, the former sheriff's deposits were uncollateralized and uninsured as of January 5, 2016 and December 31, 2016, by \$4,388,509 and \$3,665,974, respectively. According to 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (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. We recommend the sheriff's office enter into a written agreement with the depository institution to adequately pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

*Former Sheriff's Bookkeeper's Response: We have a written collateral security agreement now.*

2016-002 The Former Bullitt County Sheriff Had Weak Controls Over Payroll Processing

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The following weaknesses were noted during payroll testing:

- The former sheriff's office lacked proper segregation of duties over payroll processing. The office manager prepared the excel file for each pay period to calculate payroll and uploaded it to the Kentucky Human Resource Information System (KHRIS) for payroll processing with no independent review to ensure pay rates were correct and payroll was calculated correctly.
- The former chief deputy did not have a timesheet for either pay period tested.
- Sick leave and vacation balances for employees were not maintained.
- Pay rates for employees were not entered into KHRIS.
- Seven timesheets were not signed by the employee's supervisor.
- Four employees' pay rates tested were documented in their personnel file, but there was no evidence of the former sheriff's approval of their pay rates.
- Seven employees' pay rates tested were not documented in their personnel file and there was no evidence of the former sheriff's approval of their pay rates.
- Four employees did not have evidence of their authorization for one or more payroll withholding amount.

The weaknesses over payroll processing occurred because the former sheriff did not implement control procedures over the payroll process to ensure time worked was documented and verified, withholdings were authorized, leave balances were tracked and accounted for, pay rates were authorized and documented in KHRIS, and payroll was calculated accurately. When controls over payroll are weak, employees can be paid incorrectly, either by incorrect hours or using a pay rate that is not authorized. Also, leave balances can be misstated.

BULLITT COUNTY  
 DAVE GREENWELL, FORMER SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Former Bullitt County Sheriff Had Weak Controls Over Payroll Processing (Continued)

KRS 337.320 states in part, “[e]very employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee” and “[s]uch records shall be kept on file for at least one (1) year after entry.” Strong internal controls dictate that timesheets should be kept for payroll verification, as a record of leave time used and overtime paid, and to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance. Furthermore, these documents are necessary to support accurate reporting to the Kentucky Retirement System and state and federal taxing authorities. Also, segregation of duties over payroll processing is essential to ensure correct pay rates are used and payroll is calculated correctly.

We recommend the sheriff’s office implement procedures to ensure:

- Payroll is calculated by one employee and the sheriff or his designee reviews the calculations to ensure pay rates are correct and calculations are correct and that payroll is correctly entered into KHRIS
- All employees submit timesheets each pay period
- Sick leave and vacation leave balances are maintained for each employee by pay period
- Pay rates for each employee are entered into KHRIS documenting each pay rate change throughout the year
- Pay rate changes are documented in the employee’s personnel file with evidence that the sheriff has authorized any pay rate changes
- Supervisors sign all of their employees’ timesheets each pay period
- Withholdings authorizations are maintained for each employee to support the amounts withheld on their paychecks

*Former Sheriff’s Bookkeeper’s Response: I think there is adequate control over Payroll.*

Auditor’s Reply: Strong controls over payroll dictate the following: (1) a segregation of duties over payroll functions between the input of hours worked, calculation of payroll checks, changes in pay rates in the payroll system, and the issuance of payroll checks. If these controls are not segregated, to reduce the risk of misstatements in payroll due to errors or fraud, it is important that independent reviews be implemented and evidenced by reviewer’s initials or signature; (2) all pay rate changes should be approved by the sheriff, with the approval evidenced in writing; and (3) all withholdings made from employees’ payroll checks should be adequately supported and evidenced by written approval of the employee.

2016-003 The Former Bullitt County Sheriff Lacked Adequate Controls Over Drug Buy Funds

The following control weaknesses were noted during the review of controls over and testing of drug buys:

- No independent reviews of balance sheet for drug buys.
- No independent cash counts were performed.
- No support for two withdrawals of cash from the former sheriff’s bank account for drug buys; \$2,000 in August 2016 and \$4,000 in December 2016.
- The \$4,000 withdrawn for buy money, mentioned previously, was in the form of a check written to the lieutenant colonel for buy money, not to the bank or for cash.

BULLITT COUNTY  
 DAVE GREENWELL, FORMER SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued):

2016-003 The Former Bullitt County Sheriff Lacked Adequate Controls Over Drug Buy Funds (Continued)

- Some deputies had small amounts of cash they were holding for drug buys with no official policy on how much to keep, where to secure it when not in use, etc.
- No record or ledger is kept for each deputy performing drug buys to document and track how much money each deputy has on hand for drug buys, resulting in confusion over whether or not a deputy had \$1,000 to use on drug buys. The balance sheet maintained for funds received and used did not provide accurate descriptions for funds being given to a deputy to use and funds being returned when not used.
  - The lieutenant colonel, who oversees drug buys, kept a balance in his records for each deputy for cash on hand, but did not maintain support for these balances.
  - There was an error in tracking the use of \$1,000 for drug buys on July 29, 2016.

The former sheriff was not aware of significant controls needed over cash used for drug buys which should include:

- having ledgers prepared and maintain to document deputies' use of funds for drug buys to reflect the amount they have on hand,
- having ledgers reviewed for accuracy and completeness,
- having supporting documentation reviewed to ensure there is adequate documentation to show how funds are used, including if a deputy returns funds he has out for drug buys, and
- performing and documenting random cash counts, agreeing cash on hand to amount reported on the ledgers for that date.

Without implementing controls over cash used for drug buys, there is a significant risk that cash used for drug buys may be misappropriated. Strong internal controls dictate that cash used for drug buys and related transactions should be recorded accurately on ledgers, adequately supported with documentation showing use of funds or return of funds by deputy, and to ensure that cash on hand is secured in the sheriff's office, and agrees to the supporting ledgers.

We recommend the sheriff's office:

- Develop and implement policies to document how much funds each deputy performing drug buys is permitted maintain on hand at a time, including that the funds held should be maintained and secured in the sheriff's office at all times,
- Develop and implement a document for the lieutenant colonel to complete to request funds from the sheriff's bank account to use for drug buys.
- Ensure checks for drug buy funds are written to cash or to the bank, not a specific person.

We recommend the following for the sheriff or his designee:

- Develop and maintain ledgers for each deputy who performs drug buys, to calculate the balance of cash available, including the date and amount of each transaction they complete for drug buys and if they return any funds not used,
- Conduct and document independent reviews of the drug buy ledgers for each deputy to ensure they are complete and accurate, and
- Conduct and document independent cash counts for funds held by the deputies for drug buys.

BULLITT COUNTY  
DAVE GREENWELL, FORMER SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2016  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-003 The Former Bullitt County Sheriff Lacked Adequate Controls Over Drug Buy Funds (Continued)

*Former Sheriff's Bookkeeper's Response: A program was put into place by [sheriff's employee] and [sheriff's bookkeeper] where [sheriff's employee] is the only person to get money and has to keep records on who he gives money to. Both parties have to sign off on the receipts.*

2016-004 The Former Bullitt County Sheriff Had Weak Controls Over Secondary Employment

The former Bullitt County Sheriff did not maintain disclosures of outside employment for employees as is required by his office policy on secondary employment. The auditor was told by a sheriff's employee that he and another employee had outside employment in 2016. Upon review of the outside employment disclosures, the auditor did not find disclosures for those two employees. There were a few disclosures provided by the chief deputy, additional disclosures provided by another sheriff's employee, and a few noted in personnel files.

The former Bullitt County Sheriff did not adhere to his office secondary employment policy, resulting in increased risk that sheriff's employees worked outside employment and did not notify and receive approval from their supervisors, and that the employees could have worked their outside employment while reporting that they worked time for the sheriff's office so they could have been paid by both employers for the same hours worked.

The former sheriff's secondary employment policy requiring those deputies with outside employment to provide written notice to describe the type of work performed and the maximum number of hours per week the employee will engage in the outside employment. Also, the policy required the employee to receive approval of the employment through their chain of command and final approval by the sheriff. (Section IV, B, C).

We recommend the sheriff's office review the secondary employment policy with all employees and ensure that each employee who has outside employment completes a disclosure and obtains written approval from the supervisor and the sheriff, according to the policy. We also recommend the sheriff ensure all outside employment disclosures are kept on file for all employees.

*Former Sheriff's Bookkeeper's Response: We now have a plan in place to control outside employment.*

2016-005 The Former Bullitt County Sheriff Issued A \$3,000 Check To The Former Chief Deputy

The former Bullitt County Sheriff issued a check in the amount of \$3,000 to the chief deputy in January 2016 from the state drug fund bank account. The check did not have any supporting documentation. The chief deputy's employment was terminated in October 2016. The former Bullitt County Sheriff did not have procedures in place to ensure that all checks written were supported by reasonable and adequate documentation.

Strong internal controls dictate that all checks issued should have supporting documentation maintained on file that reasonably and adequately supports the expenditure. We question the legitimacy of this payment and we recommend the sheriff's office implement a policy to ensure all checks issued have reasonable and adequate supporting documentation on file.

*Former Sheriff's Bookkeeper's Response: This process now has a procedure to keep this from happening again.*