



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

Contact: **Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

**Harmon Releases Audit of Former Bullitt County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2017 financial statements of former Bullitt County Sheriff Dave Greenwell. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the financial statements present fairly the receipts and disbursements of the former Bullitt County Sheriff and the receipts, disbursements, and fund balances of the former Bullitt County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statements did not follow this format. However, the sheriff's financial statements are fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comments:

**The former Bullitt County Sheriff had weak controls over payroll processing:** The following weaknesses were noted during payroll testing:

- The former sheriff's office lacked a segregation of duties over payroll processing. The office manager prepared the excel file for each pay period to calculate payroll, and uploads it to the Kentucky Human Resource Information System (KHRIS) for payroll processing

with no independent review to ensure pay rates are correct and payroll is calculated correctly.

- Pay rates for employees were not entered into KHRIS.
- Four employees' pay rates tested were not documented in their personnel file and there was no evidence of the sheriff's approval of their pay rates.
- Three employees did not have evidence of their authorization for one or more payroll withholding amount.
- Auditor was told that salary employees are not paid overtime.

The weaknesses over payroll processing occurred because the former sheriff did not implement control procedures over the payroll process to ensure withholdings were authorized, pay rates were authorized and documented in KHRIS, and overtime hours worked were paid to the employee as required by state law. 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.

KRS 337.285 requires all county employees, whether paid hourly or by salary, to be compensated for working overtime either by receiving additional pay or earning compensatory time.

Strong internal controls dictate that payroll processing functions should be segregated between data entry, approval of payroll before checks are issued, withholdings taken are documented and verified, pay rate changes are documented in personnel files, and authorization is documented.

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, calculations are correct, and that payroll is correctly entered into KHRIS.
- Pay rate changes are documented in the employee's personnel file with evidence that the sheriff has authorized any pay rate changes.
- Withholdings authorizations are maintained for each employee to support the amounts withheld on their paychecks.
- Any employee, hourly or salary, who works overtime hours is paid for overtime hours worked.

*Former Sheriff's Bookkeeper's Response: We had the same system that is in effect now. One keys, one figures the timesheets, we do not key our own pay. Don't know what we can do different.*

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.

**The former Bullitt County Sheriff lacked adequate controls over drug buy funds:** The following control weaknesses were noted during the review of controls 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.
- 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 the balances.
  - There was an error in tracking the use of \$1,000 for drug buys on July 29, 2016, that resulted in more money being requested in November 2017 for the same transaction.

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 to 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, and
- 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.

*Former Sheriff's Bookkeeper's Response: The Drug Task Director has a plan in effect to correct this problem.*

**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. 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 the sheriff's employees worked outside employment and did not notify and receive approval from their supervisor, 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 required 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 former 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's office ensure all outside employment disclosures are kept on file for all employees.

*Former Sheriff's Bookkeeper's Response: No response provided.*

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians. Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

