

**REPORT OF THE AUDIT OF THE  
GRAVES COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2015**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**GRAVES COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2015**

The Auditor of Public Accounts has completed the Graves County Sheriff's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

**Financial Condition:**

Excess fees increased by \$42,154 from the prior year, resulting in excess fees of \$54,478 as of December 31, 2015. Receipts decreased by \$81,515 from the prior year and disbursements decreased by \$123,669.

**Debt Obligations:**

Total debt principal as of December 31, 2015, was \$55,941. Future collections of \$61,422 are needed over the next three years to pay all debt principal and interest.

**Report Comments:**

- 2015-001 The Graves County Sheriff Did Not Properly Account For All Fees Collected
- 2015-002 The Graves County Sheriff Owes Additional Excess Fees Of \$37,779 For Calendar Year 2015
- 2015-003 The Graves County Sheriff Paid An Expense Allowance For Attending Training Or Conferences
- 2015-004 The Graves County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2015-005 The Graves County Sheriff's Office Has A Material Weakness In Financial Reporting
- 2015-006 The Graves County Sheriff Did Not Properly Account For Customer Charges

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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

The Honorable Jesse Perry, Graves County Judge/Executive  
The Honorable Dewayne Redmon, Graves County Sheriff  
Members of the Graves County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Graves County, Kentucky, for the year ended December 31, 2015, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the 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 as described in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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



The Honorable Jesse Perry, Graves County Judge/Executive  
The Honorable Dewayne Redmon, Graves County Sheriff  
Members of the Graves County Fiscal Court

### **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 Graves 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 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.

### **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 statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Graves County Sheriff, as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Graves County Sheriff for the year ended December 31, 2015, 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 27, 2017 on our consideration of the Graves County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 Jesse Perry, Graves County Judge/Executive  
The Honorable Dewayne Redmon, Graves County Sheriff  
Members of the Graves County Fiscal Court

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

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2015-001 The Graves County Sheriff Did Not Properly Account For All Fees Collected
- 2015-002 The Graves County Sheriff Owes Additional Excess Fees Of \$37,779 For Calendar Year 2015
- 2015-003 The Graves County Sheriff Paid An Expense Allowance For Attending Training Or Conferences
- 2015-004 The Graves County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2015-005 The Graves County Sheriff's Office Has A Material Weakness In Financial Reporting
- 2015-006 The Graves County Sheriff Did Not Properly Account For Customer Charges

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

February 27, 2017

GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

Federal Grants		
Highway Safety Grant	\$	4,886
State Grants		
Law Service Fee Grant		7,435
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		39,595
State Fees For Services:		
Finance and Administration Cabinet	\$ 69,390	
Sheriff Security Service	19,511	
Fugitive Returns - Commonwealth of Kentucky	<u>3,008</u>	91,909
Circuit Court Clerk:		
Fines and Fees Collected	9,571	
Court Ordered Payments	<u>502</u>	10,073
Fiscal Court		171,442
County Clerk - Delinquent Taxes		23,701
Commission On Taxes Collected		452,827
Fees Collected For Services:		
Auto Inspections	17,960	
Accident and Police Reports	4,248	
Add-On Fees	37,504	
Serving Papers	54,571	
Carrying Concealed Deadly Weapon Permits	16,135	
Transports	<u>44,777</u>	175,195
Other:		
Miscellaneous	1,570	
Insurance Claims	9,457	
Contribution from Forfeiture Account	22,332	
Auction Sales	8,800	
Jury Meals	<u>60</u>	42,219

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

GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2015  
(Continued)

Receipts (Continued)

Interest Earned		\$	32
Borrowed Money:			
State Advancement	\$ 180,000		
Bank Note	14,646		194,646
			<u>194,646</u>
Total Receipts			1,213,960

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 542,500		
Part-Time Salaries	40,213		
Other Salaries	102,350		

Employee Benefits-

Employer's Share Social Security	55,414		
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Materials and Supplies-

Office Materials and Supplies	25,244		
Uniforms	964		

Auto Expense-

Gasoline	38,551		
Maintenance and Repairs	24,974		

Other Charges-

Conventions and Travel	7,054		
Dues	1,141		
Postage	1,345		
Transports	9,892		
Contract Labor	16,049		
Jury Meals	64		
Miscellaneous	793		

Capital Outlay-

Vehicles	14,419	880,967	
	<u>14,419</u>		

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

GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2015  
(Continued)

Disbursements (Continued)

Debt Service:		
State Advancement		<u>\$ 180,000</u>
Total Disbursements		<u>\$ 1,060,967</u>
Net Receipts		152,993
Less: Statutory Maximum		<u>94,574</u>
Excess Fees		58,419
Less: Training Incentive Benefit		<u>3,941</u>
Excess Fees Due County for 2015		54,478
Payment to Fiscal Court - February 24, 2016		<u>16,699</u>
Balance Due Fiscal Court at Completion of Audit		<u><u>\$ 37,779</u></u>

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

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2015

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 settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees 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 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) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2015

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).

GRAVES COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2015  
 (Continued)

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

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 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.

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 the plan. The county's contribution rate for nonhazardous employees was 17.67 percent for the first six months and 17.06 percent for the last six months.

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. Members contribute five percent (nonhazardous) 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 member's account is credited with a four percent (nonhazardous) 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.

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%

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2015  
(Continued)

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

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.

Note 3. Deposits

The Graves 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 Graves County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Notes Payable

- A. In January 2014, the Graves County Sheriff's office entered into a secured promissory note agreement in the amount of \$17,816 at an interest rate of 4.99 percent. The purpose of the note was to purchase a vehicle for the sheriff's office. The note requires one payment due in January 2015. The sheriff's office was in compliance with the terms of the agreement. As of December 31, 2015, this note has been paid in full.
- B. In September 2014, the Graves County Sheriff's office entered into a secured promissory note agreement in the amount of \$28,717 at an interest rate of 4.75 percent. The purpose of the note was to purchase a vehicle for the sheriff's office. The note requires four annual payments due each December. The sheriff's office was in compliance with the terms of the agreement. As of December 31, 2015, the principal balance of the note was \$22,246.

GRAVES COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2015  
 (Continued)

Note 4. Notes Payable (Continued)

C. In September 2014, the Graves County Sheriff's office entered into a secured promissory note agreement in the amount of \$24,590 at an interest rate of 4.75 percent. The purpose of the note was to purchase a vehicle for the sheriff's office. The note requires four annual payments due each December. The sheriff's office was in compliance with the terms of the agreement. As of December 31, 2015, the principal balance of the note was \$19,049.

D. In September 2015, the Graves County Sheriff's office entered into a secured promissory note agreement in the amount of \$14,646 at an interest rate of 4.75 percent. The purpose of the note was to purchase an all-terrain vehicle for the sheriff's office. The note requires three annual payments starting in September 2016. As of December 31, 2015, the principal balance of the note was \$14,646.

E. Changes In Notes Payable

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	<u>\$ 71,123</u>	<u>\$ 14,646</u>	<u>\$ 29,828</u>	<u>\$ 55,941</u>	<u>\$ 18,647</u>
Long- term Liabilities	<u>\$ 71,123</u>	<u>\$ 14,646</u>	<u>\$ 29,828</u>	<u>\$ 55,941</u>	<u>\$ 18,647</u>

Note 5. Federal Highway Safety Grant

The Graves County Sheriff's office received federal grant funds of \$4,886 that were passed through the Kentucky Transportation Cabinet, Office of Highway Safety. The grant funds were reimbursements for expenses related to highway safety, more specifically, alcohol counter-measures. As of December 31, 2015, the Graves County Sheriff's office was in compliance with the terms of the grant program.

Note 6. State Grant - Law Enforcement Service Fee Grant

The Graves County Sheriff's office received a grant from the Kentucky Justice & Public Safety Cabinet to improve the enforcement, investigation, and prosecution of driving under the influence (DUI) cases and as a result, reduce the number of alcohol and drug-related traffic accidents. Funds are typically used for overtime and equipment. During the year, the Graves County Sheriff's office received \$7,435 from this grant program. As of December 31, 2015, the Graves County Sheriff's office was in compliance with the terms of the grant program.

Note 7. Kentucky Law Enforcement Foundation Program Fund (KLEFPF)

The Graves County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program (KLEFPF). This program administrated by the Kentucky Justice Cabinet is designed to provide adequate training to sheriff deputies. During the year, the Graves County Sheriff's office received \$39,595 from this program.



GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2015  
(Continued)

Note 8. Other Accounts

- A. Drug Forfeiture Account - The sheriff maintains a drug forfeiture account established by order of the circuit court in 2006. This account is funded by receipts from court-ordered forfeitures of money and property as well as interest earned on the deposit of these funds. The funds are to be used for supplies, equipment, vehicles, and drug enforcement. The beginning balance of the account was \$79,955. During the year, \$139,542 was received and \$179,329 was disbursed, leaving a balance of \$40,168 as of December 31, 2015.
- B. Special Account - The sheriff maintains an account for donations as authorized by KRS 61.310(8)(a). This account is used to account for donations from the public or other organizations as well as interest earned on the deposit of these funds. The funds should be used for the strict purposes expressed by the donor or general law enforcement activities. The beginning balance of the account was \$748. During the year, \$2,400 was received and \$2,750 was disbursed, leaving a balance of \$398 as of December 31, 2015.
- C. Evidence Account - The sheriff established an evidence account in October 2013. This account is used to safeguard cash evidence while cases are under investigation or waiting on court decisions. As of December 31, 2015, this account had a balance of \$31,471.

Note 9. Related Party Transactions

During the calendar year, the Graves County Sheriff's office paid the bookkeeper's husband \$55 for computer repairs and a deputy's son \$1,000 to clean up vehicles prior to a vehicle auction.

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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





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

The Honorable Jesse Perry, Graves County Judge/Executive  
The Honorable Dewayne Redmon, Graves County Sheriff  
Members of the Graves County Fiscal Court

**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**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Graves County Sheriff for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated February 27, 2017. The Graves County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Graves County Sheriff's internal 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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Graves County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Graves 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 comments and recommendations, 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 comments and recommendations as items 2015-004 and 2015-005 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)

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

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. We consider the deficiency described in the accompanying comments and recommendations as item 2015-006 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Graves 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-001, 2015-002, and 2015-003.

**Sheriff's Responses to Findings**

The Graves County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The sheriff's responses was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

February 27, 2017

COMMENTS AND RECOMMENDATIONS





GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

STATE LAWS AND REGULATIONS:

2015-001 The Graves County Sheriff Did Not Properly Account For All Fees Collected

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The sheriff's office collects a five dollar fee for Carrying Concealed Deadly Weapons (CCDW) photos as authorized by KRS 64.090. However, the sheriff does not record these fees in the receipts ledger, but rather keeps the five dollars in cash to be used to purchase photo paper and ink. By not recording these fees in the receipts ledger, the sheriff is not properly accounting for all fees collected. This practice also causes the receipts and disbursements ledgers to be understated. Additionally, since this money is kept in the form of cash, it could easily be misappropriated. The lack of effective internal controls over receipts led to the five dollar photo fees not being recorded in the sheriff's receipts ledger. KRS 134.160(2)(a) states "[t]he sheriff shall keep an accurate account of all moneys received and all disbursements made[.]" KRS 134.160(3) states "[a]ll payments received by the sheriff shall be entered immediately by the sheriff on his or her books." And KRS 134.160(4) states "[t]he sheriff shall obtain a receipt for all disbursements made by the sheriff." We recommend the sheriff properly account for all fees collected by his office by posting the five dollar photo fees to the receipts ledger and the corresponding expenses for ink and paper to the disbursements ledger.

*Sheriff's Response: Already put in place.*

2015-002 The Graves County Sheriff Owes Additional Excess Fees Of \$37,779 For Calendar Year 2015

---

The sheriff's office currently owes the fiscal court additional excess fees of \$37,779 for calendar year 2015. This is due to the sheriff reimbursing the drug forfeiture account \$28,979 for fuel expenses paid from this fund during the year, and also a deposit of \$8,800 from the sale of surplus and donated property into the drug forfeiture account. The drug forfeiture account may not be reimbursed from the fee account. Certain sales of surplus and donated property should be deposited into the fee account. By not accounting for these monies in the proper account, the fiscal court did not receive the correct amount of excess fees for the calendar year.

KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. Additionally, KRS 134.192(12) provides that the settlement for excess fees and commissions and other income shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810. We recommend that the sheriff properly settle excess fees with the county as determined by the audit.

*Sheriff's Response: \$28,979 has already been paid.*

2015-003 The Graves County Sheriff Paid An Expense Allowance For Attending Training Or Conferences

---

The sheriff allows deputies to receive a lump sum allowance for meals prior to attending trainings or conferences. The sheriff's travel policy allows employees to be reimbursed at a per diem rate of \$6 for breakfast, \$12 for lunch and \$12 for dinner. The amount of the lump sum allowance is calculated at \$30 per day which represents the amount of the per diem. By giving lump sum allowances, the sheriff's office may be paying more for travel expenses than allowed. The sheriff did not want to put a financial burden on the deputies for any training required for official business.

GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2015  
(Continued)

STATE LAWS AND REGULATIONS:

2015-003 The Graves County Sheriff Paid An Expense Allowance For Attending Training Or Conferences  
(Continued)

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KRS 64.710 states, “[n]o public officer or employee shall receive or be allowed or paid any lump sum expense allowance, or contingent fund for personal or official expenses[.]” We recommend that the sheriff refrain from giving lump sum allowances, but rather require the employee to file a claim for reimbursement with the sheriff’s office for adequately supported business related expenses.

*Sheriff’s Response: Policy has been changed.*

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2015-004 The Graves County Sheriff’s Office Lacks Adequate Segregation Of Duties

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A review of internal control procedures at the Graves County Sheriff’s office revealed an inadequate segregation of duties. This material weakness exists because the sheriff’s bookkeeper is required to perform multiple tasks, such as the collection of fee receipts from customers, performing daily checkout procedures, deposit preparation, paying invoices, recordkeeping, and bank reconciliations. By not properly segregating these accounting functions, there is increased risk of undetected misappropriation of assets and inaccurate financial reporting (see report comment #2015-005).

Good internal controls dictate that certain accounting functions should be performed by several different employees to provide reasonable assurance the financial activity is properly accounted for and accurately reported. To ensure accurate financial reporting and adequately protect against the possibility of misappropriation of assets, we recommend the sheriff segregate the following duties:

- Daily check out procedures should be completed by someone who does not have access to accounting records or makes deposits.
- Daily deposits should be prepared by someone who does not keep the records, receive any money, or reconcile the bank account.
- Recording in the receipts and disbursements ledgers by an individual who does not make deposits or sign checks.
- Authorized signatures on checks should be limited to employees having no access to accounting records. Also, the requirement of dual signatures on checks is recommended.
- Purchasing/receiving should be assigned to someone that does not maintain accounting records.
- Bank reconciliations should be prepared monthly and agree to the ledgers by an individual who has no access to accounting records, makes deposits or signs checks.

For those duties that cannot be segregated due to a limited number of staff, strong oversight should be provided to an employee or employees responsible for these duties.

*Sheriff’s Response: Hard to do with limited staff.*

GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2015  
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2015-005 The Graves County Sheriff's Office Has A Material Weakness In Financial Reporting

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Results of auditing procedures revealed the following deficiencies which, when considered in combination, is a material weakness in financial reporting at the Graves County sheriff's office.

- The sheriff did not account for all fees collected. The sheriff collected a five dollar fee for CCDW photos, which is maintained in cash to purchase ink and paper.
- The sheriff's office owes additional excess fees of \$37,779 due to inappropriately reimbursing the drug forfeiture account for gasoline expenses initially paid from the forfeiture account.
- The sheriff paid for items without adequate supporting documentation. The sheriff advanced employees an expense allowance for meals while attending training.
- Quarterly financial reports do not include the status of additional accounts maintained by the sheriff. The drug forfeiture account, community activities account, special account, property tax accounts, franchise tax account, and escrow account were all omitted from the quarterly reports.
- The annual fee settlement did not agree to amounts posted on the ledgers because accounts receivable activity was not recorded on the ledgers but was included on the annual settlement. However, the amount reported as accounts receivable is not adequately supported by the underlying financial records (i.e. customers' subsidiary ledgers).
- The sheriff did not ensure adequate funds were available prior to purchasing items in order to be able to pay invoices within 30 days as required by state regulations (KRS 65.140).
- The sheriff did not accurately report outstanding debt as of year-end on the quarterly report.
- Timesheets are not properly maintained to adequately support payroll expenses. Two employees do not complete any timesheets, and timesheets for part-time employees are not signed.
- The sheriff permitted employees to cash checks out of the cash drawer.

The combination of these deficiencies led to inaccurate and incomplete financial activity being reported for calendar year 2015. These conditions are a result of ineffective management. Good internal controls dictate that procedures should be implemented to ensure not only compliance with laws and regulations but also to ensure complete and accurate financial reporting.

We recommend the Graves County Sheriff implement internal control procedures to ensure complete and accurate reporting of financial information to the citizens of the Commonwealth of Kentucky.

*Sheriff's Response: Policies have been put in place to correct these issues. Was not aware salaried employees had to do timesheets.*

GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2015  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2015-006 The Graves County Sheriff Did Not Properly Account For Customer Charges

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The sheriff allows certain customers to charge for auto inspections. However, these transactions are not recorded in the sheriff's ledgers. The charges and payments are entered in the software, which is how the statement for billing is produced. At the end of each month, a billing statement is mailed to the customer requesting the balance owed. However, the software does not extract charge information to the ledgers. Therefore, the bookkeeper has to go back to each charge and paid receipt slip to determine the amount to report on the quarterly report. By doing this manually and not reconciling amounts reported to customer subsidiary ledgers maintained in the software, charges could be misstated and at risk of misappropriation.

Good internal controls dictate that procedures should be in place to ensure customer charges are properly and accurately accounted for. The sheriff should ensure customer charges are properly recorded by implementing internal controls procedures over customer charges.

*Sheriff's Response: We have had this looked at, and will keep monitoring it to see if it is correct now.*

