

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

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



**MIKE HARMON  
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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, 2016, 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 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 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, 2016, 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, 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 December 14, 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, 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 Schedule of Findings and Responses, included herein, which discusses the following report comments:

- 2016-001 Transactions Associated With Plea Agreements Were Not In Compliance With State Statute
- 2016-002 The Graves County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2016-003 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 line extending to the right.

Mike Harmon  
Auditor of Public Accounts

December 14, 2017

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

For The Year Ended December 31, 2016

Receipts

Federal Highway Safety Grant	\$	4,003
State Law Fee Service Grant		5,813
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		53,508
State Fees For Services:		
Finance and Administration Cabinet	\$ 74,177	
Sheriff Security Service	<u>14,942</u>	89,119
Circuit Court Clerk:		
Fines and Fees Collected	3,648	
Court Ordered Payments	<u>48</u>	3,696
Fiscal Court		242,869
County Clerk - Delinquent Taxes		26,322
Commission On Taxes Collected		476,930
Fees Collected For Services:		
Auto Inspections	20,075	
Accident and Police Reports	5,884	
Serving Papers	60,981	
Carry Concealed Deadly Weapon Permits	20,040	
Mental Health Transports	<u>39,497</u>	146,477
Other:		
Add-On Fees	32,321	
Insurance Reimbursements	25,160	
Miscellaneous	<u>16,494</u>	73,975
Interest Earned		30
Borrowed Money:		
State Advancement		<u>180,000</u>
Total Receipts		1,302,742

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, 2016  
(Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries \$ 605,928

Part-Time Salaries 50,066

Other Salaries 100,959

Employee Benefits-

Employer's Share Medicare 11,448

Employer's Share Social Security 48,947

Contracted Services-

Prisoner Transports and Serving Papers 15,600

Materials and Supplies-

Office Materials and Supplies 25,393

Uniforms 181

Auto Expense-

Gasoline 45,664

Maintenance and Repairs 55,255

Other Charges-

Conventions and Travel 2,105

Postage 1,367

Transports 9,255

Miscellaneous 2,343

Training 3,403 \$ 977,914

Debt Service:

State Advancement 180,000

Principal on Promissory Notes 21,661

Interest on Promissory Notes 3,284 204,945

Total Disbursements

\$ 1,182,859

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, 2016  
(Continued)

Net Receipts	\$ 119,883
Less: Statutory Maximum	<u>95,264</u>
Excess Fees	24,619
Less: Training Incentive Benefit	<u>3,969</u>
Excess Fees Due County for 2016	20,650
Payments to Fiscal Court - February 8, 2017	<u>20,650</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 0</u></u>

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

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT

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, 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 2016 services
- Reimbursements for 2016 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2016

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).

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.

GRAVES COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2016  
 (Continued)

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

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 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.

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%

GRAVES COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2016  
 (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, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of November 7, 2016, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured      \$1,370,424

Note 4. Federal Highway Safety Grant

The Graves County Sheriff's office received federal grant funds in the amount of \$4,003 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, 2016, the Graves County Sheriff was in compliance with the terms of the grant program.

Note 5. Federal Law Enforcement Service Fee Grant

The Graves County Sheriff's office received federal grant funds in the amount of \$5,813 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. These funds passed through the Kentucky Justice & Public Safety Cabinet. As of December 31, 2016, the Graves County Sheriff's office was in compliance with the terms of the grant program.

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2016  
(Continued)

Note 6. Notes Payable

- A. 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, 2016, the principal balance of the note was \$15,174.
- B. 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, 2016, the principal balance of the note was \$12,994.
- C. 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 due each September. The sheriff's office was in compliance with the terms of the agreement. As of December 31, 2016, the principal balance of the note was \$9,993.
- D. In November 2015, the Graves County Sheriff's office entered into a secured promissory note agreement in the amount of \$26,862 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 three annual payments due each November. The sheriff's office was in compliance with the terms of the agreement. As of December 31, 2016, the principal balance of the note was \$18,328.

E. Changes In Notes Payable

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 82,803	\$	\$ 26,314	\$ 56,489	\$ 28,245
Long-Term Liabilities	\$ 82,803	\$	\$ 26,314	\$ 56,489	\$ 28,245

The beginning balance differs from the prior year ending balance by \$26,862. The balance was increased to include the debt obligation in (D.) above that was omitted from the prior year in error.

Note 7. 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 \$69,668. During the year, \$50,455 was received and \$82,195 was disbursed, leaving a balance of \$37,928 as of December 31, 2015.

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2016  
(Continued)

Note 8. 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 strict purposes expressed by the donor or general law enforcement activities. The beginning balance of the account was \$398. During the year, \$2,400 was received and \$767 was disbursed, leaving a balance of \$2,031 as of December 31, 2016.

Note 9. 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, 2016, this account had a balance of \$32,699.

Note 10. Contingency

The sheriff is involved in a lawsuit that arose from the normal course of business. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the sheriff's office 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  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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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

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, 2016, and the related notes to the financial statement and have issued our report thereon dated December 14, 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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-002 to be a material weakness.



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

**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 Schedule of Findings and Responses as item 2016-003 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 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.

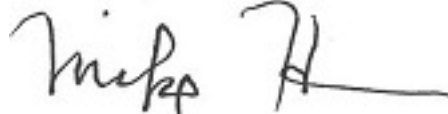
**Views of Responsible Official and Planned Corrective Action**

The Graves County Sheriff's views and planned corrective actions for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

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

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

December 14, 2017

SCHEDULE OF FINDINGS AND RESPONSES

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GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

STATE LAWS AND REGULATIONS:

2016-001 Transactions Associated With Plea Agreements Were Not In Compliance With State Statute

In calendar year 2016, the Graves County Sheriff's office received five receipts totaling \$4,000 as part of plea agreements on various court cases. In all but one case, the details of these plea agreements, including documentation of the transactions, were excluded from the court record.

In most cases, the attorney proposed the donations as part of the plea agreement. According to personnel of the sheriff's office, these agreements had been going on for multiple years under different officials and law enforcement agencies. Therefore, the sheriff believed it to be an acceptable practice.

Given the fact that these transactions were handled outside of the court system, without court oversight or authorization, the Graves County Sheriff's office accepted funds not authorized by law.

KRS 64.410(2) states that "[n]o officer shall demand or receive for his services. . . [a]ny other or greater fee than is allowed by law[.]" The receipts obtained by the sheriff cannot be considered donations because they were made in partial consideration of reduced charges or penalties in the context of plea negotiations. The receipts were not otherwise authorized by court order pursuant to any particular statute, as evidenced by the fact they were excluded from the court record. Therefore, the sheriff's office was not authorized to collect these receipts.

We recommend the Graves County Sheriff insist that all transactions made in consideration of plea agreements be documented and authorized by the appropriate court. All receipts should be justified based on law authorizing the fee. The Graves County Sheriff should immediately cease the practice of accepting any money as part of plea agreements that is not disclosed in the court record.

Due to its nature, this finding will be turned over to the Federal Bureau of Investigation.

*Sheriff's Response: This practice of donations being made to the drug fund have been occurring before I became sheriff for that reason I thought it was acceptable. I found out in February of 2017 after this being checked into by the FBI and Attorney General's Office that any donations associated with a court case are to be on the court record. I have instructed all my officers of this. All money that was donated was deposited into the donation or drug account. In no instance was anyone giving a better plea deal if they made a donation. Only a judge or prosecutor can do that as far as amending charges or dismissing them. The money that was donated was used for Project Graduation and Prom Bash. We also purchased all the DARE shirts out of this money for all the 6<sup>th</sup> grade students in the Graves Co Schools. Both the Attorney General and the FBI closed out these cases as I mentioned above. This was told to the auditors but for some reason chose not to believe me.*

*Pursuant to any issues where the Sheriff's office received a cash settlement in lieu of a forfeited vehicle, KRS Chapter 218A.420 (8) (a) states that "...any vehicle seized by a law enforcement agency which is forfeited pursuant to this chapter may be retained by the seizing agency for official use or sold within its discretion. Proceeds from the sale shall remain with the agency." Allowing a defendant to purchase a vehicle seized in lieu of forfeiture is consistent KRS 218A.420.*

*For all other cases where a donation was received by the Sheriff's Drug Fund pursuant to a plea agreement, no employee received any consideration or compensation. All funds were received by the Sheriff's asset-forfeiture officer who is authorized pursuant to KRS 218A.420. All funds received were documented and utilized as required by KRS 218A.420. All plea agreements meet the requirements in BRADY v. UNITED STATES, 397 us 742(1970).*

GRAVES COUNTY  
 DEWAYNE REDMON, SHERIFF  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2016  
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2016-001 Transactions Associated With Plea Agreements Were Not In Compliance With State Statute  
 (Continued)

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Auditor's Reply: The sheriff was unable to provide written evidence to the Auditor of Public Accounts confirming that *"the Attorney General and the FBI closed out these cases."*

INTERNAL CONTROL - MATERIAL WEAKNESS:

2016-002 The Graves County Sheriff's Office Lacks Adequate Segregation Of Duties

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This is a repeat finding and was included in the prior year audit report as finding 2015-004. In calendar year 2016, the Graves County Sheriff's office lacked adequate segregation of duties. The bookkeeper is required to perform multiple tasks such as the collection of cash from customers, daily checkout procedures, deposit preparation, check preparation, bookkeeping, and bank reconciliations.

Rather than segregate the accounting functions of the office, the sheriff has placed reliance on his trust in the bookkeeper. A lack of segregation of duties or strong oversight increases the risk of undetected errors or fraud.

Segregation of duties over these tasks, or the implementation of compensating controls, is essential for providing protection from asset misappropriation and helping to prevent inaccurate financial reporting. A lack of segregation of duties or strong oversight increases the risk of undetected fraud or errors. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against the misappropriation of assets and undetected misstatements, we recommend the sheriff segregate the duties noted above by allowing different deputies perform them. For those duties that cannot be segregated due to limited staff, strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight should include reviewing monthly bank reconciliations and the receipts and disbursements ledgers. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that are reviewed.

*Sheriff's Response: We are working on this. There is three office staff. I am trying to work it where all three of us do different things. One count the receipts, one count money and then one do the deposit slip.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2016-003 The Graves County Sheriff's Did Not Properly Account For Customer Charges

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This is a repeat finding and was included in the prior year audit report as finding 2015-006. In calendar year 2016, the Graves County Sheriff did not properly account for customer charges. The sheriff allows customers to charge business for auto inspections. When services are rendered, the bookkeeper properly books the amount of the auto inspection to the receipts ledger. However, auditors were unable to trace receipts on account through the accounting system to determine how they were captured on the receipts ledger.



GRAVES COUNTY  
DEWAYNE REDMON, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2016  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2016-003 The Graves County Sheriff's Did Not Properly Account For Customer Charges (Continued)

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When a customer charges an auto inspection, the bookkeeper uses accounting software to update the customer's account. The accounting software is then used to create billing statements to send to customers who have outstanding balances. However, the software does not extract charge information to the receipts ledger. This is largely due to a lack of understanding of the accounting software.

Because customer charges are not shown on the receipts ledger, there is an increased risk that accounts receivables might not be collected. There is also an increased risk that accounts receivables could be misappropriated.

Strong internal controls dictate that all charge activity be posted to the receipts ledger to ensure that accounts receivables are collected in a timely manner, that they are accounted for properly, and that all charges on account are collected. We recommend the sheriff strengthen internal controls over customer charges by posting all charge activity to the receipts ledger. A better understanding of the functions of the account software will aid in this process.

*Sheriff's Response: I am not sure why this does not post correctly. I enter charges and ROA. Will check on this and will also start keeping a manual ledger.*