

**REPORT OF THE AUDIT OF THE
LIVINGSTON COUNTY
SHERIFF**

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT 1

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS 4

NOTES TO FINANCIAL STATEMENT 7

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* 13

SCHEDULE OF FINDINGS AND RESPONSES 17

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Chris Lasher, Livingston County Judge/Executive
The Honorable Bobby Davidson, Livingston County Sheriff
Members of the Livingston 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 Livingston 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 Chris Lasher, Livingston County Judge/Executive
The Honorable Bobby Davidson, Livingston County Sheriff
Members of the Livingston 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 Livingston 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 Livingston 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 Livingston 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 November 15, 2017, on our consideration of the Livingston 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 Chris Lasher, Livingston County Judge/Executive
The Honorable Bobby Davidson, Livingston County Sheriff
Members of the Livingston 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 Sheriff's Office Lacks Adequate Segregation Of Duties
- 2016-002 The Sheriff Overspent His Approved Budget
- 2016-003 The Sheriff Did Not Pay Invoices From The Correct Fee Account
- 2016-004 The Sheriff's Office Did Not Make Daily Deposits
- 2016-005 The Sheriff Failed To Maintain Required Accounting Records For The Drug Fund Or Donation Account

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

November 15, 2017

LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

U.S. Army Corps of Engineers - Lake Patrol	\$	9,464
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		18,175
State Fees For Services:		
Finance and Administration Cabinet	\$ 25,035	
Sheriff Security Service	6,947	31,982
Circuit Court Clerk:		
Fines and Fees Collected	661	
Court Ordered Payments	1,745	2,406
Fiscal Court		3,660
County Clerk - Delinquent Taxes		9,203
Commission On Taxes Collected		232,014
Fees Collected For Services:		
Auto Inspections	2,664	
Accident and Police Reports	445	
Serving Papers	10,690	
Carry Concealed Deadly Weapon Permits	4,210	18,009
Other:		
Add-On Fees	18,693	
Miscellaneous	3,169	21,862
Interest Earned		134
Borrowed Money:		
State Advancement		60,000
Total Receipts		406,909

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

LIVINGSTON COUNTY
BOBBY DAVIDSON, 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	\$	77,207	
Clerk's Salaries		42,388	
Overtime		8,427	
KLEFPF		14,354	
Employee Benefits-			
Employer's Share Hazardous Duty Retirement-KLEFPF		4,304	
Contracted Services-			
Advertising		150	
Vehicle Maintenance and Repairs		24,631	
Materials and Supplies-			
Office Materials and Supplies		6,954	
Uniforms & Equipment		38,659	
Auto Expense-			
Gasoline		25,935	
Maintenance and Repairs		3,908	
Other Charges-			
Dues		868	
Postage		181	
PTS - Prisoner Transport		6,650	
Serving Papers - Fiscal Court Fee		2,140	
Miscellaneous		5,593	
		<u>5,593</u>	\$ 262,349
Debt Service:			
State Advancement			<u>60,000</u>
Total Disbursements			\$ 322,349
Less: Disallowed Disbursements			
2017 Equipment Purchases paid from 2016 Fee Account			<u>(11,542)</u>
Total Allowable Disbursements			<u>310,807</u>

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

LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2016
(Continued)

Net Receipts	\$ 96,102
Less: Statutory Maximum	<u>77,402</u>
Excess Fees	18,700
Less: Training Incentive Benefit	<u>3,969</u>
Excess Fees Due County for 2016	14,731
Payment to Fiscal Court - April 28, 2017	<u>3,189</u>
Balance Due Fiscal Court at Completion of Audit*	<u>\$ 11,542</u>

* - The sheriff presented a check to the fiscal court for excess fees on November 14, 2017.

LIVINGSTON 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.

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

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

The sheriff's KLEFPF hazardous duty contribution for calendar year 2014 was \$4,884, calendar year 2015 was \$4,140, and calendar year 2016 was \$4,304.

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.

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.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute eight percent of their annual creditable compensation and 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

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

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

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:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

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.

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

Note 3. Deposits

The Livingston 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 Livingston 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.

Note 4. Lake Patrol

The Livingston County Sheriff's office has a cooperative agreement with the U.S. Army Corps of Engineers to provide patrols and law enforcement services in designated areas of the lakes from March 25, 2016 through October 23, 2016. This agreement is administrated by the U.S. Army Corps of Engineers. During the calendar year, the Livingston County Sheriff's office received \$9,464 from this program.

Note 5. Kentucky Law Enforcement Foundation Program Fund

The Livingston County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). This program is administrated by the Kentucky Justice Cabinet and is designed to provide adequate training to the sheriffs' deputies. During the year, the Livingston County Sheriff's office received \$18,175 from this program.

Note 6. Drug Forfeiture Fund

The Livingston County Sheriff's office maintains a drug forfeiture fund. This account is funded by court-ordered forfeitures of money, by funds received from sale of forfeited assets, and by interest received on deposits. The funds are to be used for various law enforcement operations, equipment, and education for drug awareness. As of January 1, 2016, the fund had a balance of \$9,168. During the year, funds totaling \$3,221 were received and \$2,778 was expended, leaving a balance of \$9,611 as of December 31, 2016.

Note 7. Donation Account

In January 2015, the Livingston County Sheriff's office established a donation account as allowed by KRS 61.310. Funding for the donation account is from gifts or donations that do not violate law, from citizens and businesses, and interest received on deposits. The balance as of January 1, 2016 was \$593. During calendar year 2016, funds totaling \$7,626 were received and \$1,415 were expended, leaving a balance of \$6,804 as of December 31, 2016.

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 Chris Lasher, Livingston County Judge/Executive
The Honorable Bobby Davidson, Livingston County Sheriff
Members of the Livingston 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 Livingston County Sheriff for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated November 15, 2017. The Livingston 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 Livingston 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 Livingston County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Livingston 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 certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001 and 2016-003 to be material weaknesses.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livingston 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 Schedule of Findings and Responses as items 2016-002, 2016-003, 2016-004, and 2016-005.

Views of Responsible Official and Planned Corrective Action

The Livingston County Sheriff's views and planned corrective action 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

November 15, 2017

SCHEDULE OF FINDINGS AND RESPONSES

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LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Sheriff's Office Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2015-003. The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper is required to perform multiple tasks such as the collection of cash from customers, the bookkeeping function, monthly reconciliations, the preparation of checks for disbursements, and the preparation of quarterly and annual reports. There is no independent review of these functions.

The sheriff has one full-time office employee and one part-time office employee. Additionally, compensating controls have not been implemented by the sheriff. A lack of segregation of these duties increases the risk that undetected errors or fraud could occur.

The proper segregation of duties over the accounting and reporting functions or the implementation of compensating controls, when necessary because of limited staff, is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff segregate duties to the extent possible as allowed by budget restrictions. For those duties that cannot be segregated, strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight should include reviewing daily checkout procedures, monthly bank reconciliations, receipts and disbursements ledgers, and the quarterly reports. These procedures should be documented.

Sheriff's Response: We do not generate enough revenue to hire enough employees to satisfy this request, but we do plan to examine each others work.

2016-002 The Sheriff Overspent His Approved Budget

The sheriff's operating disbursements exceeded his operating budget approved by the fiscal court by \$13,063. The sheriff received additional unbudgeted funds of \$29,934, but failed to amend his budget to increase operating disbursements.

The sheriff failed to monitor operating expenses during calendar year 2016. The sheriff overspent his operating budget by \$13,063, therefore the fiscal court was deprived of \$13,063 in excess fees.

KRS 68.210 states, "[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe. . . a system of uniform accounts for all counties and county officials." The *County Budget Preparation and State Local Finance Officer Policy Manual* requires, "the fiscal court approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15 of each year."

We recommend the sheriff monitor his budget throughout the year and request budget amendments as necessary from the fiscal court, before year end.

Sheriff's Response: We failed to amend our budget, therefore it made our budget looked as if we overspent.

LIVINGSTON COUNTY
 BOBBY DAVIDSON, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2016
 (Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2016-003 The Sheriff Did Not Pay Invoices From The Correct Fee Account

The sheriff paid invoices totaling \$11,542 that were for January 2017 transactions from of the 2016 fee account. The bookkeeper did not note the date of purchase on the invoice. Additionally, there were no internal controls in place to detect this error. Paying 2017 expenses from 2016 monies caused the fiscal court to be denied excess fees of \$11,542 for calendar year 2016.

KRS 134.192(11) states, “the sheriff shall file annually with his or her settlement: (b) A complete statement of all expenditures of his or her office, including his or her salary, compensation of deputies and assistants, and reasonable expenses. KRS 134.192(12) states, “[a]t the time he or she files the statements required by subsection (11) of this section, the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office[.]” Additionally, good internal controls dictate a review of expenses by the sheriff prior to payment.

We recommend the sheriff reimburse the 2016 fee account \$11,542 from the 2017 fee account. These funds should then be paid from the 2016 account to the fiscal court as additional excess fees due for calendar year 2016. We also recommend the sheriff review disbursements prior to payment to ensure validity and allowability.

Sheriff's Response: This amount of excess fees were paid back to fiscal court.

2016-004 The Sheriff's Office Did Not Make Daily Deposits

The sheriff's office did not make daily deposits. Instead, the sheriff's office would hold the money in a locked cabinet until end of week or when feasible to make the deposit. There is no oversight over the deposits on a daily basis. Additionally, there is no bank in the county seat of Smithland, where the courthouse is located. Failure to make daily deposits resulted in noncompliance with KRS 68.210. As a result, the opportunity for the misappropriation or theft of receipts increases.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* requires all public officials to prepare daily checkout sheets and make daily deposits intact into a federally insured financial institution.

We recommend the sheriff comply with KRS 68.210 by making deposits daily.

Sheriff's Response: We make daily deposits. Some days we failed to get the deposits to the bank.

2016-005 The Sheriff Failed To Maintain Required Accounting Records For The Drug Fund Or Donation Account

The sheriff did not maintain proper accounting records for his drug fund or donation account. Receipts and disbursements ledgers were incomplete. There was not adequate documentation to support all monies received. There was no documentation of the purpose for a \$7,100 donation. There were no court orders on file to substantiate deposits into the drug account. Additionally, the sheriff cashed out one charitable donation and purchased items for “shop with a cop.”

LIVINGSTON COUNTY
BOBBY DAVIDSON, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2016-005 The Sheriff Failed To Maintain Required Accounting Records For The Drug Fund Or Donation Account (Continued)

The sheriff failed to require supporting documentation be maintained for the drug fund and donation account. Additionally, there is a lack of discernment over allowable donation account activity.

Allowability of disbursements of the drug fund and donation account cannot be verified since supporting documentation of the receipts was not maintained. Additionally, the sheriff was not in compliance with KRS 68.210 or KRS 134.160,

KRS 68.210 authorizes the State Local Finance Officer to establish minimum accounting requirements for handling public funds. These requirements include maintaining receipts and disbursements ledgers, as well as documentation to support all monies received and expended. Also, KRS 61.310(8)(a) states, “[a] sheriff may accept a donation of money or goods to be used for the public purposes of his or her office if the sheriff establishes a register for recording all donations that includes, at a minimum:

1. The name and address of the donor;
2. A general description of the donation;
3. The date of acceptance of the donation;
4. The monetary amount of the donation, or its estimated worth; and
5. Any purpose for which the donation is given.

The register shall constitute a public record, be subject to the provisions of KRS 61.870 to 61.884, and be made available to the public for inspection in the sheriff’s office during regular business hours.”

We recommend the sheriff comply with KRS 68.210 and KRS 61.310(8)(a) by maintaining proper accounting records for all funds handled by the sheriff’s office.

Sheriff’s Response: We will keep better detail records of accounts.