

**REPORT OF THE AUDIT OF THE  
PULASKI COUNTY  
SHERIFF**

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



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

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

The Auditor of Public Accounts has completed the Pulaski 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 \$161,512 from the prior year, resulting in excess fees of \$174,183 as of December 31, 2015. Receipts increased by \$27,891 from the prior year and disbursements decreased by \$133,621.

**Report Comment:**

2015-001 The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts

**Deposits:**

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



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

The Honorable Steve Kelley, Pulaski County Judge/Executive  
The Honorable Greg Speck, Pulaski County Sheriff  
Members of the Pulaski 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 Pulaski 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 Steve Kelley, Pulaski County Judge/Executive  
The Honorable Greg Speck, Pulaski County Sheriff  
Members of the Pulaski 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 Pulaski 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 Pulaski 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 Pulaski 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 July 28, 2016 on our consideration of the Pulaski 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 Steve Kelly, Pulaski County Judge/Executive  
The Honorable Greg Speck, Pulaski County Sheriff  
Members of the Pulaski County Fiscal Court

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

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

2015-001 The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts

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

July 28, 2016

PULASKI COUNTY  
GREG SPECK, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

Federal Grants:

U.S. Marshall Service	\$ 3,732	
U.S. Corps of Engineers - Lake Patrol	10,568	
USDA Forest Service - Park Patrol	5,000	
Federal Highway Safety Grant	<u>964</u>	\$ 20,264

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	127,674
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State Fees For Services:

Conveying Prisoners	19,626	
Finance and Administration Cabinet	170,787	
Cabinet For Health And Family Services	765	
Sheriff Security Service	<u>37,371</u>	228,549

Circuit Court Clerk:

Fines and Fees Collected	12,690
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Fiscal Court	815,815
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County Clerk - Delinquent Taxes	58,500
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Commission On Taxes Collected	909,590
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Fees Collected For Services:

Auto Inspections	22,760	
Accident and Police Reports	1,422	
Serving Papers	56,722	
Carrying Concealed Deadly Weapon Permits	24,526	
Mental Inquest Transport	923	
Investigations	290	
Jury Meal Reimbursement	29	
Wrecker Fees	1,050	
School Resource Officer Fee	111,840	
Adanta Fee	<u>73,549</u>	293,111

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

PULASKI COUNTY  
 GREG SPECK, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

Receipts (Continued)

Other:

Restitution	\$	4,551	
Insurance Proceeds		6,439	
Surplus Sale		22,302	
Add-On Fees		113,921	
Calendar Proceeds		4,500	
Miscellaneous		<u>17,659</u>	\$ 169,372

Interest Earned 489

Borrowed Money:

State Advancement		<u>200,000</u>	
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Total Receipts 2,836,054

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	1,278,298	
Part-Time Salaries		133,025	
Other Salaries		253,035	
Employee Benefits-			
KLEFPF Retirement to Fiscal Court		<u>29,791</u>	1,694,149
Materials and Supplies-			
Ammo		5,763	
Camera/Film		750	
Guns		2,915	
K-9 and Supplies		794	
Office Supplies		16,578	
Uniforms		<u>28,148</u>	54,948
Auto Expense-			
Gasoline		132,210	
Maintenance and Repairs		<u>46,229</u>	178,439

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

PULASKI COUNTY  
 GREG SPECK, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges-

Advertisement	\$	1,341	
Bond		1,654	
Execution		2,093	
Investigations		8,878	
Jury Meal Expense		29	
Office Expense		18,064	
Postage		4,766	
Rental (Tower / Storage)		3,632	
Return Fugitive Expense		6,925	
School Training		6,864	
Telephone		38,556	
Wrecker Expense		2,290	
Miscellaneous		<u>320</u>	\$ 95,412

Helicopter Expense

Helicopter Insurance		3,547	
Helicopter Maintenance		800	
Helicopter Gasoline		<u>1,643</u>	5,990

Capital Outlay

Equipment (Deputies)		45,806	
Equipment (Office)		70,403	
Equipment (Helicopter)		475	
Radios		7,890	
Vehicle Equipment		58,884	
Vehicle Purchase		<u>130,946</u>	314,404

Debt Service:

State Advancement			<u>200,000</u>
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Total Disbursements \$ 2,543,342

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

PULASKI COUNTY  
 GREG SPECK, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

Net Receipts		\$ 292,712	
Less: Statutory Maximum		<u>94,574</u>	
Excess Fees		198,138	
Less: Training Incentive Benefit		<u>985</u>	
Excess Fees		197,153	
Less: Current Year Portion of Vehicle Account Balance (Note 4)		<u>22,970</u>	
Excess Fees Due County for 2015		174,183	
Payments to Fiscal Court - January 4, 2016	\$ 100,000		
March 3, 2016	<u>74,183</u>	<u>174,183</u>	
Balance Due Fiscal Court at Completion of Audit		<u>\$ 0</u>	

PULASKI 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 the following, including but not limited to, 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).

PULASKI 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.

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. The county's contribution rate for hazardous employees was 34.31 percent for the first six months and 32.95 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2014, 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) and eight percent (hazardous) 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) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The sheriff's Kentucky Law Enforcement Foundation Program Fund (KLEFPF) retirement contribution for calendar year 2013 was \$33,213, calendar year 2014 was \$31,533, and calendar year 2015 was \$29,791.

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.

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.

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

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

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such 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.

Note 3. Deposits

The Pulaski 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.



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

Note 3. Deposits (Continued)

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 Pulaski 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. Vehicle Account

The Pulaski County Sheriff's office acquired the financial responsibility of the department vehicles in July 2006 from the Pulaski County Fiscal Court. In February 2008, fiscal court officially approved this action. This policy was amended and approved by fiscal court on May 1, 2011. The financial responsibilities include, but are not limited to, vehicle purchases, purchase of gasoline, maintenance of vehicles, vehicle equipment, vehicle parts, labor and repair and maintenance costs and necessary fleet operational expenses.

The sheriff's fee account is responsible for paying the sheriff's vehicle account for mileage used by the deputies. Should funds not be readily available in the fee account to pay the monthly mileage expense the fee account shall make such payment when the funds become available. The balance of the sheriff's vehicle account can be carried forward from year to year to allow for payment of any maintenance, fuel bills, or any other vehicle responsibilities and is not required to be turned over to fiscal court as excess fees.

On January 1, 2015, the vehicle account had a carryover balance from the prior year of \$380,655. A total of \$362,880 in mileage reimbursements were transferred from the fee account into the vehicle account, which is not included as an expenditure of the fee account. Interest in the amount of \$89 was earned, surplus sales of \$22,302 and insurance proceeds of \$6,439 were receipted into the vehicle account. The sheriff disbursed \$368,740 in gasoline, oil, vehicle maintenance, vehicle equipment and a vehicle purchases from this account. The balance as of December 31, 2015 was \$403,625. During the year, the vehicle account balance increased \$22,970 from the prior year.

Note 5. Forfeiture Account

The Pulaski County Sheriff's office maintains a forfeiture account, which represents the Pulaski County Sheriff's office equitable sharing in assets seized during arrests. The forfeiture account had a beginning balance of \$215,020 on January 1, 2015. During 2015, the sheriff's office received \$79,669 and expended \$181,781, leaving an ending balance of \$112,908 on December 31, 2015.

Note 6. Drug Account

The Pulaski County Sheriff's office maintains a drug account. Proceeds in this account emanate from the confiscation, surrender, or sale of real and personal property involved in drug related convictions and/or donations. The funds are to only be used for law enforcement activities relating to drug awareness and enforcement. On January 1, 2015, the drug account had a balance of \$3,070. During 2015, interest in the amount of \$1 was received and the account expended \$3,071. Therefore, leaving an ending balance of \$0 on December 31, 2015.

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

Note 7. Seized Account

The Pulaski County Sheriff's office maintains a seized account. The account is used to hold seized monies until disbursement orders are received via court order. On January 1, 2015, the seized account had a balance of \$123,364. During 2015, the sheriff received \$27,058 in seizures and earned \$63 in interest and disbursed \$51,632 per court orders therefore, leaving an ending balance of \$98,790 on December 31, 2015.

Note 8. Federal Account

The Pulaski County Sheriff's office maintains a federal seizure account. This account is used to hold monies seized during federal investigations until disbursement orders are received via court order. The beginning balance of the account was \$3,041 on January 1, 2015. During 2015, interest in the amount of \$1 was received and the account had no disbursements. The ending balance at December 31, 2015 was \$3,042.

Note 9. Donation Account

The Pulaski County Sheriff's office maintains a donation account to account for private and public donations to the sheriff's office. On January 1, 2015, the balance was \$0. During 2015, the sheriff's office received \$1,997. The sheriff disbursed \$289 during calendar year 2015. The balance in the account was \$1,708 as of December 31, 2015.

Note 10. Federal Grants

- A. The Pulaski County Sheriff's office received two grants from the U.S. Marshall Service totaling \$14,482 for overtime. Current year receipts of \$3,732 were received and expended during the year. The grant periods covered were October 01, 2014 to September 30, 2015 and October 01, 2015 to September 30, 2016.
- B. The Pulaski County Sheriff's office received a lake patrol grant from the U.S. Army Corp of Engineers in the amount of \$10,568 to patrol Lake Cumberland for the period May 15, 2015 through September 7, 2015.
- C. The Pulaski County Sheriff's office received a park patrol grant from the USDA Forest Service in the amount of \$5,000 to patrol Daniel Boone National Forest for the period April 1, 2015 to September 30, 2015.
- D. The Pulaski County Sheriff's office received a federal highway safety grant administered by the Kentucky Transportation Cabinet's Office of Highway Safety. The purpose of the grant is to reduce fatalities on Kentucky roadways, minimize injuries to individuals and property, and to educate the public in ways to do this. The grant period was from October 1, 2014 to September 30, 2015. The total amount received in calendar year 2015 was \$964.

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 Steve Kelley, Pulaski County Judge/Executive  
The Honorable Greg Speck, Pulaski County Sheriff  
Members of the Pulaski 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 Pulaski County Sheriff for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated July 28, 2016. The Pulaski 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 Pulaski 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 Pulaski County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pulaski 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 comment and recommendation, we identified a certain deficiency in internal control that we consider to be a material weakness.

*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 comment and recommendation as item 2015-001 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)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pulaski 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Sheriff's Response to Finding**

The Pulaski County Sheriff's response to the finding identified in our audit is included in the accompanying comment and recommendation. The Pulaski County Sheriff's response were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### **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

July 28, 2016

COMMENT AND RECOMMENDATION





PULASKI COUNTY  
GREG SPECK, SHERIFF  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2015

**INTERNAL CONTROL - MATERIAL WEAKNESS:**

2015-001 The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts

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The sheriff's office lacks adequate segregation of duties over receipts. The sheriff's bookkeeper collects payments from customers, prepares deposits, posts transactions to the receipts ledger, and prepares monthly bank reconciliations. The sheriff or another employee did not document oversight of any of these activities. To adequately protect assets from misappropriation of assets or inaccurate financial reporting, duties involving the preparation of receipts and the receipts ledger should be separated. This condition is a result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

Lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff separate the duties involved in receiving cash, preparing deposits, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure.

*Sheriff's Response: The duties of the bookkeeper will no longer include accepting payments from customers. This action, along with the compensating controls already in place, should correct this issue.*

