

**REPORT OF THE AUDIT OF THE
ALLEN COUNTY
SHERIFF**

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



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Johnny Hobdy, Allen County Judge/Executive
The Honorable Jeff Cooke, Allen County Sheriff
Members of the Allen 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 Allen 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 Johnny Hobdy, Allen County Judge/Executive
The Honorable Jeff Cooke, Allen County Sheriff
Members of the Allen 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 Allen 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 Allen 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 Allen 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 September 27, 2017, on our consideration of the Allen 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.

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

2016-001 The Allen County Sheriff’s Office Lacks Adequate Controls Over The Receipt Collection Process

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

September 27, 2017

ALLEN COUNTY
JEFF COOKE, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 110,118	
Sheriff Security Service	4,918	
Cabinet For Health And Family Services	923	
Delinquent Taxes	546	\$ 116,505

Circuit Court Clerk:

Fines and Fees Collected	1,279	
Court Ordered Payments	8,849	10,128

Fiscal Court:

Sheriff's Salary and Training Incentive	93,278	
Election Commissions	510	93,788

County Clerk - Delinquent Taxes 21,361

Commission On Taxes Collected 332,230

Fees Collected For Services:

Auto Inspections	9,195	
Accident and Police Reports	1,126	
Serving Papers	46,788	
Carry Concealed Deadly Weapon Permits	13,120	
Carry Concealed Deadly Weapon Photos	65	70,294

Other:

Add-On Fees	30,540	
Miscellaneous	153	
Telecommunications Tax Commission	1,772	
Reimbursement for Mental Transports	399	32,864

Interest Earned 28

Total Receipts 677,198

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

ALLEN COUNTY
 JEFF COOKE, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2016
 (Continued)

Disbursements

Operating Disbursements:

Other Charges-

Postage	\$	3,349	
Court Ordered Restitution		8,849	
Miscellaneous		690	
			<u> </u>

Total Disbursements \$ 12,888

Net Receipts 664,310

Less: Statutory Maximum 89,310

Excess Fees 575,000

Less: Training Incentive Benefit 3,968

Excess Fees Due County for 2016 571,032

Payments to Fiscal Court -

Monthly	570,473	
Additional Excess Fees - August 29, 2017	559	<u>571,032</u>

Balance Due Fiscal Court at Completion of Audit \$ 0

ALLEN 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).

D. Fee Pooling

The Allen County Sheriff's office is required by the fiscal court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts collected for others. Residual funds are then paid to the county treasurer on a monthly basis. Invoices are submitted to the county treasurer to document operating expenses. The fiscal court pays all operating expenses for the fee official.

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

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.

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. On June 23, 2009, the Allen County Fiscal Court voted not to pay hazardous duty retirement on any deputies hired by the sheriff's office after June 23, 2009, if that employee had never participated in hazardous duty retirement.

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. On February 24, 2015, the Allen County Fiscal Court voted that effective January 1, 2015, all employees of the sheriff's office working in the position of detective will participate in hazardous duty retirement.

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

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

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 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.

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

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

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 Allen 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 Allen 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 9, 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 \$307,549

Note 4. On Behalf Payments

The Allen County Sheriff's office is required by the fiscal court to participate in a fee pooling system. Since the Allen County Sheriff is fee pooling, the Allen County Fiscal Court pays the Allen County Sheriff's statutory maximum and training incentive benefit as reflected on the Allen County Sheriff's financial statement. For the year ended December 31, 2016, the Allen County Fiscal Court's contributions recognized by the Allen County Sheriff included the amounts that were based on the statutory maximum and training incentive benefit as required by KRS 64.5275. The Allen County Sheriff recognized receipts from the fiscal court and disbursements for the statutory maximum of \$89,310 and training incentive benefit of \$3,968 for the year ended December 31, 2016.

Note 5. Drug Account

The Allen County Sheriff's office established a drug account for related receipts and disbursements. As of January 1, 2016, the account had a beginning balance of \$17,005. During calendar year 2016, receipts of \$5,050 were received and \$1,611 was disbursed, leaving a balance as of December 31, 2016, of \$20,444. The use of these monies is determined by court order granting forfeiture and restitution funds to the sheriff's office; therefore, they are not included as excess fees of the sheriff.

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

Note 6. Seized Account

The Allen County Sheriff's office established a seized account for monies held by the sheriff's office pending court adjudication. As of January 1, 2016, the account had a beginning balance of \$2,458. During calendar year 2016, receipts of \$644 were received and \$0 was disbursed, leaving a balance as of December 31, 2016, of \$3,102. Since monies in this account are held pending court adjudication, they are not included as excess fees of the sheriff.

Note 7. Federal Forfeiture Account

The Allen County Sheriff's office established a federal forfeiture account in order to deposit funds from federally forfeited property related to drug cases. As of January 1, 2016, the account had a beginning balance of \$7,584. During calendar year 2016, receipts of \$1 were received and \$7,368 was disbursed, leaving a balance as of December 31, 2016, of \$217. Since these funds are reserved for law enforcement involving drug eradication, they are not included as excess fees of the sheriff.

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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 Johnny Hobdy, Allen County Judge/Executive
The Honorable Jeff Cooke, Allen County Sheriff
Members of the Allen 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 Allen County Sheriff for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated September 27, 2017. The Allen 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 Allen 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 Allen County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Allen 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.

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 2016-001 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 Allen 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 Allen County Sheriff's views and planned corrective action for the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. The sheriff's response was 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,

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

September 27, 2017

SCHEDULE OF FINDINGS AND RESPONSES

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ALLEN COUNTY
JEFF COOKE, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDING:

2016-001 The Allen County Sheriff's Office Lacks Adequate Controls Over The Receipt Collection Process

The Allen County Sheriff's office does not track carry concealed deadly weapon (CCDW) photo fees and does not deposit these fees into the official account. The sheriff's office stated they have not tracked these fees and their disbursements for several years. In addition, the Allen County Sheriff's office lacks adequate controls over the receipt collection process generally as noted by the following deficiencies:

- Receipt tickets are not issued for all collections.
- All receipts collected are not posted to the daily checkout sheets or receipts ledger.
- The method of payment is not marked on the receipt tickets.
- The collections are not reconciled to the deposit ticket with method of payments being agreed.
- All receipts collected are not deposited intact daily into the official bank account. Deposits for collections for 12 of the 26 days tested were not made daily. Deposits for these 12 days took four to ten days to clear the bank.

Deposit detail obtained from the bank did not agree to the sheriff's records for 12 of the 26 days tested. Receipt tickets were not issued for \$65 of fees collected for CCDW photo fees and \$5 of auto inspection fees. Since a receipt ticket was not issued for these collections, \$70 was not recorded on the daily checkout sheets or receipts ledger. These fees were paid to the sheriff's office by check and the checks were deposited to the bank; however, \$70 in cash was removed from the cash drawer before the deposit was made and \$65 of the \$70 was put in a petty cash fund for the sheriff's office.

The bookkeeper stated these fees were spent to send flowers to employees who lost loved ones, occasional meals for inmates working in the sheriff's office, and gasoline for stranded motorists, suggesting that at least some of the disbursements were not necessary or reasonable expenditures of the office. No documentation existed to support any of these disbursements. For the month sampled, \$65 was collected, and with \$21 remaining in the petty cash fund as of July 26, 2017, at least \$44 was spent. The balance of \$21 was deposited to the fee account on July 26, 2017.

The sheriff's office could not provide records to show the total amount of CCDW photo fees collected. Based on sampling, at least \$65 in CCDW photo fees were collected for the month of June. Additional months and cash receipts could not feasibly be determined due to the lack of records. The amount of untracked CCDW photo fees could have been as high as \$3,280 for calendar year 2016 based on the number of CCDW applications and renewals.

The Allen County Sheriff's office did not mark the method of payment on 129 of 248 manual receipt tickets issued for the period tested June 1, 2016 through July 5, 2016; therefore, auditors could not agree cash and checks to the deposit ticket for 24 of the 26 days tested. A cash register is also utilized but the method of payment according to the cash register did not agree to the deposit tickets on 10 of the 26 days tested.

This deficiency occurred because the sheriff lacked oversight over the receipt collection process along with lack of adequate segregation of duties over receipts. According to the bookkeeper, they were not aware that CCDW photo fees collected were required to be deposited to the fee account.

ALLEN COUNTY
JEFF COOKE, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016
(Continued)

FINANCIAL STATEMENT FINDING: (Continued)

2016-001 The Allen County Sheriff's Office Lacks Adequate Controls Over The Receipt Collection Process
(Continued)

Failure to issue receipt tickets for all collections and mark the method of payment on the receipt tickets resulted in the undetected misappropriation of assets and incorrect reporting, which ultimately resulted in less excess fees available to turn over to the fiscal court. The sheriff will be held personally responsible for the shortage of funds.

KRS 64.840(1) requires all county officials to issue a receipt form for "any fine, forfeiture, tax, or fee" and KRS 64.100 requires the sheriff to "keep an accurate account of all fees collected by him from all sources." In addition, 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 that deposits be made intact daily into federally insured banking institution and triplicate receipts be issued for all receipts collected. Good internal controls over receipt preparation and recording dictate the sheriff require receipt tickets be issued for all collections and the method of payment be marked on receipt tickets to ensure deposits are made intact daily. In addition, KRS 64.090(1)(cc) states the sheriff's office may charge \$5 for taking photos.

We recommend the sheriff implement adequate internal controls over the receipt collection process in his office to assure receipt tickets are issued for all collections and all deposits are made intact daily to the bank. In addition, we recommend the sheriff's office document all CCDW photo fees in the fee account ledger. Since the sheriff participates in fee pooling, these fees should be turned over monthly to the fiscal court and all official expenses submitted to the fiscal court for payment. We recommend the sheriff repay \$49 to the fee account due to the unrecorded auto inspection fee of \$5 and the disbursements of \$44 paid from the CCDW photo fees. The disbursements from the CCDW photo fees lack documentation supporting they were necessary and reasonable expenditures of the office. This matter will be referred to the Kentucky State Police and the Kentucky Office of Attorney General.

Sheriff's Response: This office uses compensating controls.