

**REPORT OF THE AUDIT OF THE
FORMER MUHLENBERG COUNTY
SHERIFF**

**For The Period
January 1, 2020 Through September 29, 2020**



**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**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Curtis McGehee, Muhlenberg County Judge/Executive
The Honorable William Ward, Muhlenberg County Sheriff
Members of the Muhlenberg County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We were engaged to audit the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Sheriff of Muhlenberg County, Kentucky, for the period January 1, 2020 through September 29, 2020, 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 this 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 a 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 conducting an 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Our basis for disclaiming is that we were unable to obtain required written management representation from the former Muhlenberg County Sheriff, which results in a management-imposed scope limitation. Management is required to provide written representations to assert that they have fulfilled their responsibility for the preparation and fair presentation of the financial statements and that the information provided to the auditor is complete. Due to the former Muhlenberg County Sheriff passing away, we were unable to place appropriate reliance on the information provided during the audit and, therefore, cannot reduce the audit risk to an acceptable level.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912
WWW.AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



The Honorable Curtis McGehee, Muhlenberg County Judge/Executive
The Honorable William Ward, Muhlenberg County Sheriff
Members of the Muhlenberg County Fiscal Court

Disclaimer of Opinion

Because of the significance of the matter described in the Basis of Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2021, on our consideration of the former Muhlenberg 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 former Muhlenberg County Sheriff'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:

2020-001 The Former Muhlenberg County Sheriff's Fourth Quarter Financial Statement Was Materially Misstated

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

October 7, 2021

**MUHLENBERG COUNTY
RICKI ALLEN, FORMER SHERIFF
FOURTH QUARTER FINANCIAL STATEMENT**

For The Period January 1, 2020 Through September 29, 2020

BOOK 13 PAGE 102

MUHLENBERG COUNTY
FC2021 PG6

Form For Budget, Cumulative Quarterly Report and Annual Settlement For Calendar Year 2020

Muhlenberg County Sheriff

Part One - Summary and Reconciliation of All Accounts

Show & Describe All Accounts	Column 1	Column 2	Column 3	Column 4	Column 5
	2020 Fee Account Budget Estimate	2020 Fee Account Cumulative Actual	Account (NOT FEE ACCOUNT)	Account (NOT FEE ACCOUNT)	Account (NOT FEE ACCOUNT)
1. Receipts YTD	\$714,910.00	\$703,698.52			
2. Total Disbursements YTD	\$714,910.00	\$703,698.52			
3. Book Balance/Excess Fees					
4. Bank Statement Balance		\$289,470.67			
5. Plus Deposits in Transit		\$100.00			
6. Less Outstanding Checks		\$289,570.67			
7. Other					
8. Reconciled Bank Balance		\$0.00			
9. Accounts Receivable as of 12/31					
10. Unpaid Obligations as of 12/31					
11. Excess Fees					

Instructions: This form is the required format for the budget and the quarterly report. BUDGET: After completing the budget estimate columns of Parts One, Two and Three, submit to the fiscal court for approval by January 15th and following approval submit to the state local finance officer. QUARTERLY REPORT: The quarterly report is cumulative. Show the status of all funds in the official's charge during calendar year to date in Part One. Line 1. Show total receipts on a cash basis for the year to date including any beginning balances for all accounts. Show current year fee account in COLUMN 2 as calculated in Part Three of report. Line 2. Show total disbursements on a cash basis for the year to date for all accounts. Show current year fee account in COLUMN 2 as calculated in Part Three of report. Line 3. Show difference between lines 1 and 2 for all accounts. Line 4. Show bank statement balance(s) at close of quarter. Line 5. Show total deposits made prior to close of quarter that are not reflected in bank statement(s). Line 6. Show total amount of checks issued prior to close of quarter that are not reflected in bank statement(s). Line 7. Show investments. Line 8. Show line 4 adjusted for lines 5, 6, and 7. Line 8 should equal line 9 for all accounts. Line 9. Complete for quarter ending 12/31. Show calculation in Part Two of report. Line 10. Complete for quarter ending 12/31. Show calculation in Part Three of report. Line 11. Complete for quarter ending 12/31. Show line 8 adjusted for lines 9 and 10. All debt to be shown in Part Four. Report due to: State Local Finance Officers, 100 Airport Road, Third Floor, Frankfort, KY 40601 by the 30th day following the close of each quarter. Fax # 502-227-8691 / Ph # 502-892-5487

Approved by the fiscal court on the 14 day of January, 2021.

 County Judge/Executive Date

To the best of my knowledge the information reported herein for the budget/quarter ended December 31, 2020 is accurate and complete.

 Signature of County Sheriff Date

LF 1132-002 Rev. 10/09

BOOK 13 PAGE 103

MUHLENBERG COUNTY
FC2021 PG7

Part Two Receipts	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Accounts Receivable 12/31	Settlement Total
1. Federal Grants								
2. State Grants								
3. State - KLEFFP								
Commonwealth of KY								
4. Sheriff Sec. Service (HB452)	\$12,000.00	\$2,367.77	\$2,942.97	\$1,974.44	\$1,668.00	\$8,953.18		
5. KCPC Transports	\$4,000.00	\$256.66	\$253.53		\$244.14	\$754.33		
6. Monthly Fee Claims	\$74,000.00	\$16,916.13	\$14,882.60	\$18,048.63	\$10,529.48	\$60,376.84		
7. Delinquent Tax	\$900.00		\$34.32			\$34.32		
Circuit Clerk								
8. Sheriff Security Services	\$500.00							
9. Fines/Fees Collected	\$25,000.00	\$7,844.09	\$4,403.11	\$2,554.80	\$3,716.40	\$18,518.40		
10. Fiscal Court (includes Election Comm.)	\$1,000.00				\$1,783.00	\$1,783.00		
11. County Clerk (includes Election taxes)	\$22,000.00	\$1,702.71	\$13,287.05	\$37,062.19	\$3,718.96	\$55,770.91		
12. Commissions on Taxes Collected	\$450,000.00	\$120,133.31	\$15,321.14	\$54,207.46	\$284,115.92	\$473,777.83		
Fees Collected for Services								
13. Auto Inspections	\$8,000.00	\$1,210.00	\$850.00	\$940.00	\$840.00	\$3,870.00		
14. Accident/Police Reports	\$200.00	\$31.00	\$45.00	\$125.00	\$61.00	\$262.00		
15. Serving Papers	\$30,000.00	\$9,980.00	\$2,720.00	\$6,930.97	\$3,070.00	\$22,300.97		
16. CCDW	\$7,500.00	\$1,920.00	\$1,800.00	\$2,400.00	\$3,940.00	\$9,660.00		
17. Sheriff 10% Fees	\$75,000.00	\$9,754.45	\$29,505.74	\$5,331.35		\$44,591.54		
18. Other (describe)								
19. Miscellaneous	\$200.00			\$515.24		\$515.24		
20. Permyroyal Payments	\$5,000.00	\$1,740.00			\$783.00	\$2,523.00		
21. Interest Earned	\$10.00	\$1.78	\$0.69	\$0.84	\$1.65	\$4.96		
22. Total Revenues	\$714,910.00	\$173,457.90	\$86,076.15	\$130,090.92	\$314,073.55	\$703,698.52		
23. Petty Cash								
24. Borrowed Money								
25. State Advancement								
26. Bank Note								
27. Total Receipts (Total lines 22 through 26)	\$714,910.00	\$173,457.90	\$86,076.15	\$130,090.92	\$314,073.55	\$703,698.52		

Copy the figures shown on line 27 in the Budget Estimate column to the Summary on page 1, column 1, line 1. Copy the figures shown on line 27 in the Total YTD column to page 1, column 2, line 1. Copy the figures shown on line 27 in the Receivable column to page 1, line 9.

MUHLENBERG COUNTY
 RICKI ALLEN, FORMER SHERIFF
 FOURTH QUARTER FINANCIAL STATEMENT
 For The Period January 1, 2020 Through September 29, 2020
 (Continued)

LF 1182204 Rev. 10/09

BOOK 13 PAGE 105

MUHLENBERG COUNTY
 FC2021 PG9

Part Three Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Unpaid Obligations 12/31	Settlement Total
34. Auto Expenses on Personal Vehicles								
35. Gasoline								
36. Maintenance and repairs								
37. Rec Insurance								
38. Depreciation								
39.								
40. Debt Service (principal, interest, lease/rent/swap)								
41. State Advancement								
42. Notes								
43. Interest								
44.								
45. Capital Outlay (except purchases of tangible items held in reserve)								
46. Office Equipment								
47. Vehicles								
48.								
49.								
50. Total Official Expenses	\$250.00	\$19.76						
<small>For offices that fee pool, pay fees to county prior to December 31, or counties over 70,000 in population, show payments on appropriate line below.</small>								
51. Payments to County Treasurer	\$714,660.00	\$173,438.14	\$86,076.15	\$130,090.92	\$314,073.55	\$703,678.76		
52. Payments to State Treasurer								
53. Total Disbursements (total lines 50, 51, and 52)	\$714,910.00	\$173,457.90	\$86,076.15	\$130,090.92	\$314,073.55	\$703,698.52		

Copy the figures shown on line 53 in the Budget Estimate column to the Summary on page 1, column 1, line 2. Copy the figure shown on Line 53 in the Total YTD column to page 1, column 2, line 2. Copy the figure shown on Line 53 in the Unpaid column line

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 Curtis McGehee, Muhlenberg County Judge/Executive
The Honorable William Ward, Muhlenberg County Sheriff
Members of the Muhlenberg 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 engaged to audit, 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 former Muhlenberg County Sheriff for the period January 1, 2020 through September 29, 2020, and the related notes to the financial statement and have issued our report thereon dated October 7, 2021. Our report disclaims an opinion on the financial statement because we were unable to obtain written management representation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the former Muhlenberg County Sheriff's internal control over financial reporting (internal control) as a basis for designing 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 former Muhlenberg County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Muhlenberg 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 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 2020-001 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 former Muhlenberg 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 financial statement. 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 matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as item 2020-001.

Views of Responsible Official and Planned Corrective Action

The Muhlenberg County Sheriff's office views and planned corrective action for the finding identified in our audit is included in the accompanying Schedule of Findings and Responses. The Muhlenberg County Sheriff's office 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,



Mike Harmon
Auditor of Public Accounts

October 7, 2021

SCHEDULE OF FINDINGS AND RESPONSES

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MUHLENBERG COUNTY
WILLIAM WARD, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2020 Through September 29, 2020

FINANCIAL STATEMENT FINDING:

2020-001 The Former Muhlenberg County Sheriff's Fourth Quarter Financial Statement Was Materially Misstated

The former Muhlenberg County Sheriff's Fourth Quarter Financial Statement, for the period January 1, 2020 through September 29, 2020, was materially inaccurate. The receipts were overstated by \$313,876. Adjustments were required so that the fourth quarter financial statement would agree to the former sheriff's ledgers.

This was due to an error when preparing the fourth quarter financial statement that was presented to fiscal court. The financial statement that was approved by the fiscal court included the entire calendar year of 2020, instead of just the time period the former sheriff was in office. The first, second, and third quarter receipts were accurate, but because the financial statement included the last quarter of the year, the financial statement was materially misstated.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires accurate financial reporting. Fee official use 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. Each period stands alone in accounting for receipts and disbursements and should be accounted for accordingly in each audit period. Furthermore, strong internal controls over the financial process are essential to ensure all receipts and disbursements are properly accounted for and classified on the financial statement.

We recommend the Muhlenberg County Sheriff's office maintain accurate financial reports and separate receipts by audit period in the future.

Sheriff's Response: Due to the sudden and unexpected death of former Muhlenberg County Sheriff Ricki Allen on September 29, 2020, all financial accounts of the Muhlenberg County Sheriff were immediately halted; the only exceptions being the Fee and Franchise Tax Accounts. Sheriff's office personnel immediately sought guidance and accounting direction from employees within the State Auditor's office. The advice and recommendations received on how to properly proceed with the quarterly reports and accounting was precisely followed by the Muhlenberg County Sheriff's Office. Notwithstanding, the Muhlenberg County Sheriff's Office agrees with the recommendations of this finding and will continue to maintain accurate financial reports and separate receipts by audit period in the future.