

**REPORT OF THE AUDIT OF THE  
PIKE COUNTY  
SHERIFF**

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



**MIKE HARMON  
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## **EXECUTIVE SUMMARY**

### **AUDIT OF THE PIKE COUNTY SHERIFF**

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

The Auditor of Public Accounts has completed the Pike County Sheriff's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statements present fairly in all material respects, the receipts and disbursements of the Pike County Sheriff and the receipts, disbursements, and fund balances of the Pike County Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Pike County Sheriff had total receipts of \$2,062,623, which was a \$278,655 decrease from the prior year. Except for reimbursed expenses in the amount of \$811,345 and fiscal court contributions of \$250,000, the sheriff paid 25% of receipts to the Pike County Fiscal Court in the amount of \$251,618. This was an increase of \$7,965 from the prior year. In addition, 75% fund operating disbursements decreased by \$296,713.

#### **Report Comment:**

2015-001 The Sheriff Failed To Implement Proper Controls Over Financial Reporting Which Resulted In Material Misstatements Of The Fourth Quarter Report

#### **Deposits:**

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



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT..... 1  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS ..... 4  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS..... 6  
NOTES TO THE FINANCIAL STATEMENTS ..... 8  
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* ..... 15  
COMMENT AND RECOMMENDATION ..... 19





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

The Honorable William M. Deskins, Pike County Judge/Executive  
Honorable Rodney Scott, Pike County Sheriff  
Members of the Pike County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Pike County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable William M. Deskins, Pike County Judge/Executive  
Honorable Rodney Scott, Pike County Sheriff  
Members of the Pike County Fiscal Court

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statements, the financial statements are prepared by the Pike 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 statements 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Pike 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 statements referred to above present fairly, in all material respects, the receipts and disbursements of the Pike County Sheriff and the receipts, disbursements, and fund balances of the Pike County Sheriff's operating fund and county fund with the state treasurer 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 June 29, 2017, on our consideration of the Pike 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 William M. Deskins, Pike County Judge/Executive  
Honorable Rodney Scott, Pike County Sheriff  
Members of the Pike 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 Failed To Implement Proper Controls Over Financial Reporting Which Resulted In Material Misstatements Of The Fourth Quarter Report

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

June 29, 2017

PIKE COUNTY  
 RODNEY SCOTT, SHERIFF  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

Federal Grants

Lake Patrol Grant	\$ 9,654	
Highway Patrol Grant	<u>30,235</u>	\$ 39,889

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		17,988
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State Fees for Services:

Finance and Administration Cabinet	193,797	
Sheriff Security Service	17,554	
Cabinet For Health And Family Services	<u>2,128</u>	213,479

Circuit Court Clerk		3,840
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Fiscal Court		251,600
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County Clerk - Delinquent Taxes		210,278
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Commission on Taxes		1,064,480
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Fees Collected for Services:

Auto Inspections	16,018	
Accident /Police Reports	795	
Serving Papers	74,907	
Carry Concealed Deadly Weapon Permits	<u>18,828</u>	110,548

Other:

Add-On Fees	93,071	
Transporting Patients	31,313	
Telecom Commissions	7,668	
Sequestered Jurors	502	
Reimbursements	11,448	
Travel	200	
Miscellaneous	<u>6,319</u>	<u>150,521</u>

Total Receipts		2,062,623
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The accompanying notes are an integral part of the financial statements.

PIKE COUNTY  
 RODNEY SCOTT, SHERIFF  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

Disbursements

Other Disbursements:

Juror Expenses	\$	422	
Miscellaneous		<u>9,444</u>	

Total Disbursements			<u>\$ 9,866</u>
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Net Receipts			2,052,757
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Payments to State Treasurer:

75% Operating Fund *		1,800,445	
25% County Fund		<u>251,618</u>	<u>2,052,063</u>

Balance Due at Completion of Audit			<u><u>\$ 694</u></u>
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\* Includes reimbursed expenses in the amount of \$811,345 and fiscal court contributions of \$250,000 for the audit period.

PIKE COUNTY  
 RODNEY SCOTT, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2015

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	_____	_____	_____
Fund Balance - January 1, 2015	\$	\$	\$
 <u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,800,445		1,800,445
Fees Paid to State - County Funds (25%)		251,618	251,618
	_____	_____	_____
Total Funds Available	1,800,445	251,618	2,052,063
	_____	_____	_____
 <u>Disbursements</u>			
Pike County Fiscal Court		251,618	251,618
Personal Services-			
Official's Statutory Maximum	93,589		93,589
Official's Training Incentive	985		985
Deputies' Salaries	954,277		954,277
Employee Benefits-			
Employer's Share Social Security	77,158		77,158
Employer's Share Retirement	150,052		150,052
Employer's Share Health Insurance	266,013		266,013
Employer's Share Life Insurance	10		10
Workers' Compensation	106,507		106,507
Unemployment Insurance	4,979		4,979
Contracted Services-			
Maintenance Agreements	14,446		14,446

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY  
 RODNEY SCOTT, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

	75%	25%	
	Operating	County	Totals
	Fund	Fund	
	<u>          </u>	<u>          </u>	<u>          </u>
Disbursements (Continued)			
Supplies and Materials-			
Office Supplies	\$ 50,816	\$	\$ 50,816
Uniforms/Equipment	122,488		122,488
Other Charges-			
Bond Fees	1,721		1,721
Dues	1,005		1,005
Postage	4,509		4,509
Medical	7,941		7,941
Printing	556		556
Telephone/Fax/Cellular	1,119		1,119
Training	333		333
Travel/Transport Expenses	6,777		6,777
Petty Cash Startup	3,000		3,000
Miscellaneous	6,204		6,204
Auto Expenses-			
Gasoline	76,127		76,127
Maintenance and Repairs	78,554		78,554
Capital Outlay-			
Vehicles	60,083		60,083
	<u>          </u>	<u>          </u>	<u>          </u>
Total Disbursements	<u>2,089,249</u>	<u>251,618</u>	<u>2,340,867</u>
Fund Balance - December 31, 2015	<u><u>\$(288,804)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$(288,804)</u></u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

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 due from the sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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:

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2015

Also, some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

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).

PIKE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 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.

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 account. Members contribute five percent (nonhazardous) 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) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The sheriff's contribution for calendar year 2013 was \$155,702, calendar year 2014 was \$152,643, and calendar year 2015 was \$150,052.

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.

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%

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015  
(Continued)

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

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The Pike 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 Pike 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. Grants

- A. Lake Patrol - The sheriff's office received a grant through the United States Army Corps of Engineers for lake patrol throughout the year. The amount received during 2015 was \$30,235.
- B. Highway Patrol Grant - The sheriff's office received a grant through the Kentucky Transportation Cabinet for highway safety. The amount received during 2015 was \$9,654.



PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015  
(Continued)

Note 5. Lease Agreements

- A. The Pike County Sheriff's office was committed to a lease agreement for three copiers. The agreement requires a monthly payment of \$354 for 48 months. The total remaining balance of the agreement was \$13,452 as of December 31, 2015.
- B. The Pike County Sheriff's office was committed to a lease agreement for three postage meters. The agreement requires a monthly payment of \$321 for 60 months. The total remaining balance of the agreement was \$4,815 as of December 31, 2015.

Note 6. 75% Operating Fund - Deficit Balance

The Pike County Sheriff's 75% operating fund had a deficit balance of \$288,804 as of December 31, 2015. KRS 64.345(4) states, in part, "[i]f seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his [or her] office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his [or her] official term." The 75% operating fund has to be settled at the end of the sheriff's term, which ends December 31, 2018.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*





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

The Honorable William M. Deskins, Pike County Judge/Executive  
The Honorable Rodney Scott, Pike County Sheriff  
Members of the Pike County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements 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 and Disbursements - Regulatory Basis of the Sheriff of Pike County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2017. The Pike County Sheriff's financial statements are 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 statements, we considered the Pike County Sheriff's 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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Pike County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.



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

**Internal Control Over Financial Reporting (Continued)**

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 statements 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pike County Sheriff's financial statements are 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 Pike County Sheriff's response to the finding identified in our audit is included in the accompanying comment and recommendation. The Pike County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statements 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

June 29, 2017

COMMENT AND RECOMMENDATION





PIKE COUNTY  
RODNEY SCOTT, SHERIFF  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2015

INTERNAL CONTROL - MATERIAL WEAKNESS:

2015-001 The Sheriff Failed To Implement Proper Controls Over Financial Reporting Which Resulted In Material Misstatements Of The Fourth Quarter Report

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In order for the sheriff's fourth quarter financial report to be accurately stated, material adjustments were necessary. The Pike County Sheriff was a newly elected official in 2015. The sheriff's bookkeeper, also being new, did not report all commissions and fees collected and disbursed for calendar year 2015. Instead, they were posted to the 2016 financial statement. A total of \$530,873 was added to receipts on the sheriff's quarterly report and \$858,978 was added to disbursements.

The bookkeeper believed posting the receipts and disbursements to the 2016 financial statement was correct and the sheriff did not have proper controls in place to ensure proper financial reporting.

A materially misstated fourth quarter financial report could result in an increased risk of uncorrected errors, theft, loss, or misappropriated assets.

Good internal controls dictate proper training and supervision of a new bookkeeper to ensure accuracy of the fourth quarter report.

We recommend the sheriff ensure that quarterly reports are accurate in the future by implementing proper controls over financial reporting.

*Sheriff's Response: Due to lack of training, bookkeeper went by bank statement instead of ending the report by end of year.*

