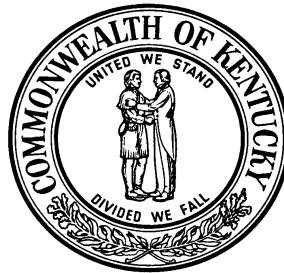


**REPORT OF THE AUDIT OF THE  
PIKE COUNTY  
SHERIFF**

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912**



CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT ..... 1

STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS ..... 3

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS ..... 5

NOTES TO THE FINANCIAL STATEMENTS ..... 7

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* ..... 13

SCHEDULE OF FINDINGS AND RESPONSES ..... 17

THIS PAGE LEFT BLANK INTENTIONALLY



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

The Honorable William Deskins, Pike County Judge/Executive  
The 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, 2016, 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 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 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.

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 William M. Deskins, Pike County Judge/Executive  
 The 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, 2016, or changes in financial position or cash flows thereof or the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above presents fairly, in all material respects, the receipts and disbursements of the Pike County Sheriff and the receipts, disbursements, and fund balances of the sheriff's operating fund and county fund with the state treasurer 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 December 18, 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, 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 comments:

- 2016-001 The Sheriff Failed To Implement Proper Controls Over Financial Reporting Which Resulted In Material Misstatement Of The Quarterly Financial Report
- 2016-002 The Pike County Sheriff Has Disallowed Expenditures Totaling \$94

Respectfully submitted,



Mike Harmon  
 Auditor of Public Accounts

December 18, 2017

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

For The Year Ended December 31, 2016

Receipts

Federal Grants			
Lake Patrol Grant	\$	29,946	
Highway Patrol Grant		4,223	
Advocacy Grant		<u>62,774</u>	\$ 96,943
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			31,522
State Fees for Services:			
Finance and Administration Cabinet		200,455	
Sheriff Security Service		18,261	
Patient Transportation		<u>1,172</u>	219,888
Circuit Court Clerk			2,479
Fiscal Court			204,910
County Clerk - Delinquent Taxes			264,198
Commission on Taxes			872,412
Fees Collected for Services:			
Auto Inspections		14,165	
Accident /Police Reports		760	
Serving Papers		89,964	
Carry Concealed Deadly Weapon Permits		<u>28,344</u>	133,233
Other:			
Add-On Fees		159,943	
Transporting Patients		40,442	
Telecom Commissions		9,062	
Sequestered Jurors		786	
Reimbursements		9,466	
Travel		355	
Miscellaneous		<u>5,848</u>	<u>225,902</u>
Total Receipts			2,051,487

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, 2016  
 (Continued)

Disbursements

Other Disbursements:

Juror Expenses	\$	328	
Miscellaneous			<u>144</u>

Total Disbursements			472
---------------------	--	--	-----

Less: Disallowed Disbursements

Finance Charges			<u>\$ 94</u>
-----------------	--	--	--------------

Total Allowable Disbursements			<u>378</u>
-------------------------------	--	--	------------

Net Receipts			2,051,109
--------------	--	--	-----------

Payments to State Treasurer:

75% Operating Fund *		1,813,712	
25% County Fund		<u>237,278</u>	<u>2,050,990</u>

Balance Due at Completion of Audit			<u>\$ 119</u>
------------------------------------	--	--	---------------

\* Includes reimbursed expenses in the amount of \$914,419 and fiscal court contributions of \$187,500 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, 2016

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2016	\$ (288,804)	\$	\$ (288,804)
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,813,712		1,813,712
Fees Paid to State - County Funds (25%)		237,278	237,278
Total Funds Available	<u>1,524,908</u>	<u>237,278</u>	<u>1,762,186</u>
<u>Disbursements</u>			
Pike County Fiscal Court		237,278	237,278
Personal Services-			
Official's Statutory Maximum	99,233		99,233
Official's Training Incentive	1,984		1,984
Deputies' Salaries	808,672		808,672
Overtime Gross	9,462		9,462
Employee Benefits-			
Employer's Share Social Security	67,883		67,883
Employer's Share Retirement	126,483		126,483
Employer's Share Health Insurance	125,387		125,387
Employer's Share Life Insurance	12		12
Workers' Compensation	62,197		62,197
Unemployment Insurance	8,627		8,627
Contracted Services-			
Advertising	1,872		1,872
Maintenance Agreements	5,251		5,251

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, 2016  
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
Disbursements (Continued)			
Supplies and Materials-			
Office Supplies	\$ 24,515	\$	\$ 24,515
Uniforms/Equipment	54,246		54,246
Other Charges-			
Bond Fees	2,362		2,362
Dues	9,655		9,655
Postage	2,956		2,956
Medical	4,455		4,455
Telephone/Fax/Cellular	2,656		2,656
Training	1,013		1,013
Travel/Transport Expenses	5,313		5,313
Miscellaneous	1,331		1,331
Auto Expenses-			
Gasoline	65,170		65,170
Maintenance and Repairs	55,503		55,503
	<u>1,546,238</u>	<u>237,278</u>	<u>1,783,516</u>
Total Disbursements			
	<u>\$ (21,330)</u>	<u>\$ 0</u>	<u>\$ (21,330)</u>
Fund Balance - December 31, 2016			

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

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

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 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.

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.

The financial statements have 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:

- Interest receivable
- Collection on accounts due from others for 2016 services
- Reimbursements for 2016 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 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).

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
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.

The sheriff's contribution for calendar year 2014 was \$152,643, calendar year 2015 was \$150,052, and calendar year 2016 was \$126,483.

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 nonhazardous 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.

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:

PIKE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016  
 (Continued)

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

<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.

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.

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, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016  
(Continued)

Note 4. Grants

- A. Lake Patrol Grant – The sheriff’s office received a grant through the U.S. Army Corps of Engineers for lake patrol throughout the year. The amount received during 2016 was \$29,946.
- B. Highway Patrol Grant – The sheriff’s office received a grant through the Department of Transportation for highway safety. The amount received during 2016 was \$4,223.
- C. Advocacy Grant – The sheriff’s office received a grant through the U.S. Department of Justice for domestic abuse. The amount received during 2016 was \$62,774.

Note 5. Lease

- A. The Pike County Sheriff’s office was committed to a lease agreement with Superior Office Services for a three copiers. The agreement requires a monthly payment of \$354 for 48 months. The total remaining balance of the agreement was \$9,204 as of December 31, 2016.
- B. The Pike County Sheriff’s office was committed to a lease agreement with Pitney Bowes for three postage meters. The agreement requires a monthly payment of \$321 for 60 months. The total remaining balance of the agreement was \$963 as of December 31, 2016.

Note 6. Donation Account

The Pike County Sheriff maintained an account for the receipt of donations. These funds are to be used for the operation of the sheriff’s office as established by KRS 61.310. The sheriff’s office received \$5,250 for the donation account for calendar year 2016. The ending balance as of December 31, 2016, was \$5,250.

Note 7. Drug Account

The Pike County Sheriff maintained an account for the receipt of funds from the fiscal court. These funds were to be used for the operation of the Pike County Sheriff’s office in agreement for drug purchases. During 2016, receipts were \$12,900 and disbursements were \$7,604, leaving a balance of \$5,296 as of December 31, 2016.

Note 8. Escrow Account

The Pike County Sheriff’s office deposits remaining outstanding checks on the calendar year-end reconciliation in a bank account. The Pike County Sheriff’s escrowed amount for 2015 is \$246. KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110.

Note 9. 75% Operating Fund - Deficit Balance

The Pike County Sheriff’s 75% operating fund had a deficit balance of \$21,330 as of December 31, 2016. 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 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 official term.” The 75% operating fund must be settled at the end of the sheriff’s term, which ends December 31, 2018.

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*

THIS PAGE LEFT BLANK INTENTIONALLY





**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  
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 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, 2016, and the related notes to the financial statement and have issued our report thereon dated December 18, 2017. The Pike 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 statements, we considered the Pike 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 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 Pike 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 Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weaknesses and another deficiency that we consider to be a significant deficiency.

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.

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



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 *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-002 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pike 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*.

**Views of Responsible Official and Planned Corrective Action**

The Pike County Sheriff's views and planned corrective action for the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

December 18, 2017

SCHEDULE OF FINDINGS AND RESPONSES

THIS PAGE LEFT BLANK INTENTIONALLY

PIKE COUNTY  
RODNEY SCOTT, SHERIFF  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

INTERNAL CONTROL - MATERIAL WEAKNESS:

2016-001    The Sheriff Failed To Implement Proper Controls Over Financial Reporting Which Resulted In Material Misstatement Of The Quarterly Financial Report

---

In order for the sheriff's fourth quarter financial report to be accurately stated, material adjustments were necessary. The Pike County Sheriff did not report all commissions and fees collected and disbursed for calendar year 2016; instead they were posted to the 2015 financial statement. A total of \$293,819 in receipts was removed from the sheriff's quarterly report and \$293,819 was removed from disbursements. The bookkeeper believed posting the receipts and disbursements to the 2016 financial statement was correct. 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 internal controls over financial reporting.

*Sheriff's Response: Two checks - written from 2015 fee account were posted to the 2016 Financial Statement. Those checks were deposited into the correct fee account. We have corrected this error.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2016-002    The Pike County Sheriff Has Disallowed Expenditures Totaling \$94

---

During our review of expenditures, the auditor noted the Pike County Sheriff used funds from his official fee account to pay finance charges of \$94 levied due to late credit card payments. The sheriff did not have controls in place to ensure that all expenditures were paid timely and in compliance with Funk v. Milliken, which could have prevented expenditures that were not necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. As a result of paying credit card statements late, the sheriff accrued finance charges and spent fee receipts on expenditures that were not in compliance with Funk v. Milliken. In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

We recommend the sheriff ensure all bills are paid timely and avoid expenses that do not meet the requirements of Funk v. Milliken. We also recommend that the sheriff deposit personal funds of \$94 for disallowed expenditures to his 2016 fee account.

*Sheriff's Response: We are closely monitoring credit card usage to insure this from happening again.*