

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

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



**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 Steve Kelley, Pulaski County Judge/Executive
The Honorable Greg Speck, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Pulaski County, Kentucky, for the year ended December 31, 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 Steve Kelley, Pulaski County Judge/Executive
The Honorable Greg Speck, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Pulaski County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky’s regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Pulaski County Sheriff, as of December 31, 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 Pulaski 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 7, 2017, on our consideration of the Pulaski County Sheriff’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 finding:

2016-001 The Pulaski County Sheriff’s Office Lacks Adequate Segregation Of Duties Over Receipts

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

September 7, 2017

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

For The Year Ended December 31, 2016

Receipts

Federal Grants			
U.S. Marshals Service	\$	13,382	
U.S. Army Corps of Engineers - Lake Patrol		10,528	
USDA Forest Service - Park Patrol		<u>5,000</u>	\$ 28,910
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			150,311
State Fees For Services:			
Conveying Prisoners		24,975	
Finance and Administration Cabinet		177,111	
Cabinet For Health And Family Services		70	
Sheriff Security Service		<u>34,146</u>	236,302
Circuit Court Clerk - Fines and Fees Collected			11,337
Fiscal Court - Payroll			937,527
County Clerk - Delinquent Taxes			45,090
Commission On Taxes Collected			945,452
Fees Collected For Services:			
Auto Inspections		22,625	
Accident/Police Reports		2,058	
Civil Paper Service		59,366	
CCDW Carry Concealed Deadly Weapon Permits		36,082	
Mental Inquest Transport		854	
Investigations		305	
Jury Meal Reimbursement		190	
Wrecker Fees		645	
Restitution		3,793	
School Resource Officer Fee		85,800	
Adanta Fee		32,602	
Fingerprint		1,990	
Insurance Proceeds		5,890	
Surplus Sales		<u>9,281</u>	261,481

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

PULASKI COUNTY
 GREG SPECK, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2016
 (Continued)

Receipts (Continued)

Other:

Add-On Fees	\$ 103,279	
Miscellaneous	25,178	
Transfer From Forfeiture Account	<u>40,000</u>	\$ 168,457

Interest Earned 514

Borrowed Money:

State Advancement	<u>200,000</u>	
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Total Receipts 2,985,381

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 1,432,354	
Part-Time Salaries	125,185	
Other Salaries	250,541	

Employee Benefits-

KLEFPF Retirement to Fiscal Court	<u>34,337</u>	1,842,417
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Materials and Supplies-

Ammo	230	
Camera/Film	1,545	
Guns	1,020	
K-9 and Supplies	2,572	
Office Supplies	18,338	
Uniforms	<u>27,788</u>	51,493

Auto Expense-

Gasoline	116,451	
Maintenance and Repairs	<u>41,550</u>	158,001

Other Charges-

Advertisement	2,544	
Bond	1,552	
Investigations	6,560	
Jury Meal Expense	223	
Office Expense	33,473	
Postage	3,859	
Rental (Tower/Storage)	2,432	

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

PULASKI COUNTY
 GREG SPECK, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2016
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges- (Continued)

Return Fugitive Expense	\$ 13,697	
School Training	6,457	
Telephone	40,454	
Transfer To Forfeiture Account	40,000	
Wrecker Expense	<u>2,060</u>	\$ 153,311

Helicopter Expense:

Helicopter Insurance	3,547	
Helicopter Maintenance	6,804	
Helicopter Gasoline	<u>1,084</u>	11,435

Capital Outlay-

Deputies' Equipment	31,268	
Office Equipment	36,311	
Helicopter Equipment	635	
Radios	21,194	
Vehicle Equipment	50,260	
Vehicle Purchases	<u>232,964</u>	372,632

Debt Service:

State Advancement		<u>200,000</u>
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Total Disbursements \$ 2,789,289

Net Receipts 196,092

Less: Statutory Maximum 99,233

Excess Fees 96,859

Less: Training Incentive Benefit 1,984

Excess Fees 94,875

Add: Current Year Portion of Vehicle Account Balance (Note 4) 97,678

Excess Fees Due County for 2016 192,553

Payments to Fiscal Court - January 12, 2017 100,000

March 30, 2017 82,124 182,124

Balance Due Fiscal Court at Completion of Audit \$ 10,429

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

PULASKI 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).

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.

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

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

The sheriff's Kentucky Law Enforcement Foundation Program Fund (KLEFPF) retirement contribution for calendar year 2014 was \$31,533, calendar year 2015 was \$29,791, and calendar year 2016 was \$34,337.

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.

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. 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

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

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

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.

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.

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

Note 3. Deposits

The Pulaski County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Pulaski County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Vehicle Account

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

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

On January 1, 2016, the vehicle account had a carryover balance from the prior year of \$403,525 which was restated \$100 from the prior year due to a posting error. A total of \$333,005 in mileage reimbursements were transferred from the fee account into the vehicle account, which is not included as an expenditure of the fee account. Interest in the amount of \$93 was earned, surplus sales of \$9,281 and insurance proceeds of \$5,890 were receipted into the vehicle account. The sheriff disbursed \$445,947 in gasoline, oil, vehicle maintenance, vehicle equipment and vehicle purchases from this account. The balance as of December 31, 2016, was \$305,847. During the year, the vehicle account balance decreased \$97,678 from the prior year.

Note 5. Seized Account

The Pulaski County Sheriff's office maintains a seized account. The account is used to hold seized monies until disbursement orders are received via court order. On January 1, 2016, the seized account had a balance of \$98,790. During 2016, the sheriff received \$4,212 in seizures including \$49 in interest and disbursed \$5,362 per court orders, leaving an ending balance of \$97,640 on December 31, 2016.

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

Note 6. Federal Account

The Pulaski County Sheriff's office maintains a federal seizure account. This account is used to hold monies seized during federal investigations until disbursement orders are received via court order. The beginning balance of the account was \$3,042 on January 1, 2016. During 2016, the sheriff received \$18,502 from seizures. The account had no disbursements. The ending balance at December 31, 2016 was \$21,544.

Note 7. Forfeiture Account

The Pulaski County Sheriff's office maintains a forfeiture account, which represents the Pulaski County Sheriff's office equitable sharing in forfeited assets seized during arrests. The forfeiture account had a beginning balance of \$112,908 on January 1, 2016. During 2016, the sheriff's office received \$75,324 and expended \$85,449, leaving an ending balance of \$102,783 on December 31, 2016.

Note 8. Donation Account

The Pulaski County Sheriff's office maintains a donation account to account for private and public donations to the sheriff's office. On January 1, 2016, the balance was \$1,708. During 2016, the sheriff's office received \$9,552. The sheriff disbursed \$10,720 during calendar year 2016. The balance in the account was \$540 as of December 31, 2016.

Note 9. Federal Grants

- A. The Pulaski County Sheriff's office received two grants from the U.S. Marshals Service totaling \$16,137 for overtime. Current year receipts of \$13,382 were received and expended during the year. The grant periods covered were October 1, 2015 to September 30, 2016 and October 1, 2016 to September 30, 2017.
- B. The Pulaski County Sheriff's office received a lake patrol grant from the U.S. Army Corps of Engineers in the amount of \$10,528 to patrol Lake Cumberland for the period May 15, 2016 through September 7, 2016.
- C. The Pulaski County Sheriff's office received a park patrol grant from the USDA Forest Service in the amount of \$5,000 to patrol Daniel Boone National Forest for the period January 1, 2016 to September 30, 2016.

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 Steve Kelley, Pulaski County Judge/Executive
The Honorable Greg Speck, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Pulaski County Sheriff for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated September 7, 2017. The Pulaski County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Pulaski County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Pulaski County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pulaski County Sheriff's internal control.

Our consideration of internal control 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 Pulaski County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

The Pulaski County Sheriff's views and planned corrective action to the finding identified in our audit are included 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 7, 2017

SCHEDULE OF FINDINGS AND RESPONSES

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PULASKI COUNTY
GREG SPECK, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

INTERNAL CONTROL - MATERIAL WEAKNESS:

2016-001 The Pulaski County Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts

The Pulaski County Sheriff's office lacks adequate segregation of duties over receipts. This is a repeat finding and was included in the prior year audit report as finding 2015-001. The bookkeeper prepares deposits, posts transactions to the receipts ledger, and prepares monthly bank reconciliations. The sheriff or another employee did not document oversight of deposits. To adequately protect assets from misappropriation and inaccurate financial reporting, duties involving the preparation of receipts and posting to the receipts ledger should be separated.

According to the sheriff, this condition is a result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

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

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The sheriff can implement oversight when duties cannot be segregated.

We recommend the sheriff separate the duties involved in receiving, preparing deposits, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If segregation of duties is not feasible due to lack of staff, cross checking procedures should be implemented and documented by the individual performing the procedure.

Sheriff's Response: Recommendations were made by the state auditor's office to correct this and we have already implemented the suggestions into our daily deposit routine.