

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry Powell, Trimble County Judge/Executive
The Honorable Charles Kelton, Trimble County Sheriff
Members of the Trimble 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 former Sheriff of Trimble 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 Jerry Powell, Trimble County Judge/Executive
The Honorable Charles Kelton, Trimble County Sheriff
Members of the Trimble 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 former Trimble 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 former Trimble 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 former Trimble 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The Schedule of Excess Liabilities Over Assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017, on our consideration of the former Trimble 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.

The Honorable Jerry Powell, Trimble County Judge/Executive
The Honorable Charles Kelton, Trimble County Sheriff
Members of the Trimble County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

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 Former Sheriff's Office Did Not Make Deposits Daily
- 2016-002 The Former Sheriff's Office Had A Deficit Of \$14,491 For Calendar Year 2016
- 2016-003 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Accounting Functions

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

October 20, 2017

TRIMBLE COUNTY
TIM COONS, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2016

Receipts

State Fees For Services:			
HB 452 Payments	\$	2,901	
Finance and Administration Cabinet		<u>28,991</u>	\$ 31,892
Circuit Court Clerk:			
Fines and Fees Collected			1,574
School Resource Officer Salary Supplement			20,000
County Clerk - Delinquent Taxes			9,061
Commission On Taxes Collected			205,853
Fees Collected For Services:			
Auto Inspections		640	
Accident and Police Reports		1,200	
Serving Papers		12,093	
Carry Concealed Deadly Weapon Permits		<u>6,565</u>	20,498
Other:			
Add-On Fees		15,445	
Fugitive Return		2,969	
Copies		235	
Telecommunication Tax		888	
Reimbursement		942	
Interest Earned - Tax Account		63	
Miscellaneous		<u>1,014</u>	21,556
Interest Earned			<u>40</u>
Total Receipts			310,474

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

TRIMBLE COUNTY
TIM COONS, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2016
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$ 167,428	
Contracted Services-		
Advertising	110	
Materials and Supplies-		
Office Materials and Supplies	6,502	
Uniforms	10,776	
Auto Expense-		
Gasoline	14,098	
Maintenance and Repairs	11,064	
Other Charges-		
Conventions and Travel	300	
Dues	430	
Postage	616	
Prepare Tax Bills	2,078	
Utilities for Radio	823	
Radio License	1,042	
Preparing Tax Settlement	1,300	
Refund for CCDW Application	40	
Cell Phones	6,474	
Computer	3,129	
Training	146	
Prisoner Transport	2,626	
Miscellaneous	342	\$ 229,324
	<hr/>	
Debt Service:		
Bank Loan	6,960	
Vehicle Lease	7,310	14,270
	<hr/>	<hr/>
Total Disbursements		<u>\$ 243,594</u>
Net Receipts		66,880
Less: Statutory Maximum	77,402	
Training Incentive Benefit	3,969	81,371
	<hr/>	<hr/>
Deficit Balance at Completion of Audit		<u>\$ (14,491)</u>

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

TRIMBLE 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.

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

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

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 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.

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

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

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.

Note 3. Deposits

The former Trimble 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)

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

Note 3. Deposits (Continued)

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 former sheriff's deposits may not be returned. The Trimble 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. On November 7, 2016 the former sheriff's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the former sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$283,628

Note 4. Asset Forfeiture Account

The former Trimble County Sheriff's office had an asset forfeiture account to be used for law enforcement purposes. The beginning balance in this account was \$5,397 as of January 1, 2016. There was \$1,295 in receipts and \$6,065 in disbursements in this account during calendar year 2016, resulting in an ending balance of \$627 as of December 31, 2016.

Note 5. Lease Agreement

The former Trimble County Sheriff's office was committed to a lease agreement for a 2014 Ford Truck. The agreement requires a quarterly payment of \$1,828 for 16 quarters to be completed on March 9, 2018. The total remaining balance of the agreement was \$9,138 as of December 31, 2016.

Note 6. Loan Agreement

The former Trimble County Sheriff's office was committed to a loan agreement for a 2015 Ford Truck. The agreement requires a monthly payment of \$580 for 36 months to be completed on June 18, 2018. The total remaining balance of the agreement was \$10,187 as of December 31, 2016.

Note 7. Subsequent Events

The former sheriff passed away on March 8, 2017. The Trimble County Judge/Executive appointed a new sheriff on March 15, 2017.

TRIMBLE COUNTY
TIM COONS, SHERIFF
SCHEDULE OF EXCESS LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2016

Assets

Cash in Bank	\$	187,446
Deposits in Transit		109
Receivables:		
Tax Commission (December)	\$	37,397
School Resource Officer		10,000
Telecommunications (2017)		222
Interest (2017)		7
		<u>47,626</u>
Total Assets		235,181

Liabilities

Outstanding Checks		644
Paid Obligations:		
Fees Due to 2017 Fee Account	\$	229
Payroll Reimbursement to Fiscal Court		<u>234,308</u>
Total Paid Obligations		234,537
Unpaid Obligations:		
Payroll Reimbursement to Fiscal Court		<u>14,491</u>
Total Liabilities		<u>249,672</u>
Total Fund Deficit as of December 31, 2016	\$	<u>(14,491)</u>

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 Jerry Powell, Trimble County Judge/Executive
The Honorable Charles Kelton, Trimble County Sheriff
Members of the Trimble 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 former Trimble County Sheriff for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated October 20, 2017. The former Trimble 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 former Trimble 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 former Trimble County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Trimble 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 and other deficiencies that we consider to be significant deficiencies.

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 2016-003 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)

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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001 and 2016-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Trimble County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-001.

Views of Responsible Official and Planned Corrective Action

The county's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county'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,



Mike Harmon
Auditor of Public Accounts

October 20, 2017

SCHEDULE OF FINDINGS AND RESPONSES

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TRIMBLE COUNTY
TIM COONS, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Former Sheriff's Office Did Not Make Deposits Daily

The former sheriff failed to make deposits daily for the fee account, but made them approximately once per week or when there was \$500 or more collected. The former sheriff issued receipt tickets for cash collected, batched receipts on a daily basis, and locked cash securely in the office until the deposit was made. The former sheriff did not collect a significant amount of receipts for the fee account on a daily basis and did not have a control procedure in place to make fee account deposits daily.

This results in a noncompliance with state law. KRS 68.210 gives the State Local Finance Officer the authorization to develop rules for financial reporting, which the Department for Local Government (DLG) has set out in the *County Budget Preparation and State Local Finance Officer Policy Manual*. According to DLG's manual, local officials should make "[d]aily deposits intact into a federally insured banking institution." We recommend the sheriff's office ensure that deposits are made daily to comply with state law.

Sheriff's Response: The sheriff's office did not provide a response.

2016-002 The Former Sheriff's Office Had A Deficit Of \$14,491 For Calendar Year 2016

The former sheriff had a deficit of \$14,491 in his official 2016 fee account. The deficit was due to the former sheriff's office not being able to reimburse the fiscal court for the full amount owed for payroll expenses for calendar year 2016. The fiscal court paid the former sheriff's payroll directly from the payroll revolving account and billed the former sheriff's office at the year-end the full amount due for payroll expenses. By not submitting biweekly payroll payments to fiscal court, the sheriff's office failed to monitor allowable operating disbursements (payroll expenses) that resulted in expending more on allowable operating disbursements than income earned.

Funds were not available to settle all payables owed by the former sheriff to the fiscal court for payroll expenses. Good internal controls dictate the sheriff's office should have monitored operating disbursements to ensure they did not exceed available revenues or have a deficit in the official fee account. We recommend the sheriff's office consult with the fiscal court and county attorney to determine how to eliminate this deficit. We also recommend the sheriff's office submit biweekly payroll payments to the county treasurer instead of reimbursing payroll at year-end.

Sheriff's Response: The sheriff's office did not provide a response.

County Judge/Executive's Response: Will work with sheriff's office in the future to correct this issue.

2016-003 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Accounting Functions

A lack of adequate segregation of duties existed over all accounting functions. During our review of internal controls, we noted the former sheriff's bookkeeper collected payments from customers, prepared deposits, wrote checks, posted transactions to the receipts and disbursements ledgers, and prepared monthly and quarterly reports. The former sheriff or another employee did not document oversight of any of these activities. The sheriff's office has not implemented segregation of duties as part of the internal control structure.

A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government. The segregation of duties over various

TRIMBLE COUNTY
TIM COONS, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-003 The Former Sheriff's Office Lacks Adequate Segregation Of Duties Over Accounting Functions
(Continued)

accounting functions such as opening the mail, preparing deposits, recording receipts and disbursements, 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.

We recommend the sheriff's office separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, strong compensating control procedures should be implemented and documented by the individual performing the procedure. Some examples of compensating control procedures could include the sheriff or another employee, not involved in preparing the bank reconciliation, review the reconciliation and initial/sign off on it. The deposit could be prepared by one employee and reviewed and initialed by the sheriff or another employee. The sheriff, or another employee, could review and initial the monthly and quarterly reports after comparing them to the receipts and disbursements ledgers.

Sheriff's Response: The sheriff's office did not provide a response.