

**REPORT OF THE AUDIT OF THE
CHRISTIAN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2019**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
The Honorable Tyler DeArmond, Christian County Sheriff
Members of the Christian 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 Christian 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, 2019, 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.



The Honorable Steve Tribble, Christian County Judge/Executive
The Honorable Tyler DeArmond, Christian County Sheriff
Members of the Christian 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 Christian 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 the Christian County Sheriff, as of December 31, 2019, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Christian County Sheriff and the receipts, disbursements, and fund balances of the Christian County Sheriff’s operating fund and county fund with the state treasurer for the year ended December 31, 2019, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

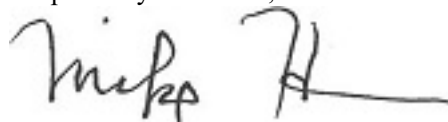
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of the Christian 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:

- 2019-001 The Christian County Sheriff’s Office Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained
- 2019-002 The Christian County Sheriff’s Office Failed To Properly Account For Tax Commissions

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 21, 2020

CHRISTIAN COUNTY
 TYLER DEARMOND, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2019

Receipts

Federal Highway Safety Grant	\$	8,664
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		114,279
State Fees for Services:		
Finance and Administration Cabinet	\$ 199,957	
Sheriff Security Service	23,027	222,984
Circuit Court Clerk:		
Fines/Fees Collected	27,211	
Court Ordered Payments	1,944	29,155
Fiscal Court		2,450,000
County Clerk - Delinquent Taxes		55,510
Commission on Taxes		906,814
Fees Collected for Services:		
Auto Inspections	33,579	
Accident /Police Reports	1,915	
Serving Papers	82,713	
Carry Concealed Deadly Weapon Permits	24,724	
Building Fund Fees	14,420	
Fingerprints	960	158,311
Other:		
Add-On Fees	72,656	
Miscellaneous	8,630	
Contracts	130,632	211,918
Interest Earned		172
Total Receipts		4,157,807

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

CHRISTIAN COUNTY
 TYLER DEARMOND, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2019
 (Continued)

Disbursements

Payments to County:		
Fees Collected - Fiscal Court	\$	14,420
Other Disbursements:		
Miscellaneous		<u>130</u>
Total Disbursements	\$	<u>14,550</u>
Net Receipts		4,143,257
Payments to State Treasurer:		
75% Operating Fund *	3,968,808	
25% County Fund	<u>174,449</u>	<u>4,143,257</u>
Balance Due at Completion of Audit	\$	<u>0</u>

* Includes reimbursed expenses in the amount of \$3,445,460 for the audit period.
 See Note 1 of Notes to Financial Statements.

CHRISTIAN COUNTY
 TYLER DEARMOND, 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, 2019

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	_____	_____	_____
Fund Balance - January 1, 2019	\$	\$	\$
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	3,968,808		3,968,808
Fees Paid to State - County Funds (25%)		174,449	174,449
	_____	_____	_____
Total Funds Available	3,968,808	174,449	4,143,257
	_____	_____	_____
<u>Disbursements</u>			
Christian County Fiscal Court		48,214	48,214
Personal Services-			
Official's Statutory Maximum	101,188		101,188
Official's Training Incentive	1,054		1,054
Deputies' Salaries	1,968,252		1,968,252
Overtime Gross	74,209		74,209
Employee Benefits-			
Employer's Share Social Security	154,864		154,864
Employer's Share Retirement	456,216		456,216
Employer's Share Health Insurance	586,714		586,714
Workers' Compensation	32,270		32,270
Contracted Services-			
Advertising	1,416		1,416
Maintenance Agreements	19,267		19,267
Supplies and Materials-			
Data Processing	37,925		37,925
Office Supplies	21,032		21,032
Repair Office Equipment	2,527		2,527
Stationary Forms	3,245		3,245
Uniforms/Equipment	138,388		138,388

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

CHRISTIAN COUNTY
 TYLER DEARMOND, 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, 2019
 (Continued)

	75%	25%	
	Operating	County	Totals
	<u>Fund</u>	<u>Fund</u>	<u></u>
Disbursements (Continued)			
Other Charges-			
Ammo	\$ 3,865	\$	\$ 3,865
Dues	4,072		4,072
K-9	6,115		6,115
Medical Services	617		617
Miscellaneous	2,807		2,807
New Hire Testing	1,581		1,581
Postage	10,874		10,874
Rentals	12,797		12,797
Telephone/Fax/Cellular	18,927		18,927
Training	5,313		5,313
Transport	35,480		35,480
Travel	18,788		18,788
Auto Expenses-			
Gasoline	119,199		119,199
Maintenance and Repairs	99,653		99,653
Capital Outlay-			
Vehicle Leases	<u>144,973</u>		<u>144,973</u>
Total Disbursements	<u>4,083,628</u>	<u>48,214</u>	<u>4,131,842</u>
Fund Balance - December 31, 2019	<u>\$ (114,820)</u>	<u>\$ 126,235</u>	<u>\$ 11,415</u>

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

CHRISTIAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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 is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis 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 2019 services
- Reimbursements for 2019 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 2019

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).

CHRISTIAN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019
 (Continued)

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

The sheriff's office has 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 2017 was \$350,376, calendar year 2018 was \$352,781, and calendar year 2019 was \$456,216.

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 KRS Board of Directors 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 21.48 percent for the first six months and 24.06 percent for the last six months.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS 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:

CHRISTIAN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, 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 by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

CHRISTIAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019
(Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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 proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. 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 Christian 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 Christian 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, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CHRISTIAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019
(Continued)

Note 4. Federal Grant

The Christian County Sheriff's office was awarded a Federal Highway Safety grant passed through the Kentucky Transportation Cabinet, Office of Highway Safety, in the amount of \$9,400 for the period October 1, 2018 through September 30, 2019. The main purpose of this grant program is to reduce fatalities on Kentucky roadways, minimize injuries to individuals and property, and to educate the public in ways to do this. During the year, funds totaling \$8,664 were expended on this program. The unexpended grant balance was \$0 as of December 31, 2019.

Note 5. Kentucky Law Enforcement Foundation Program Fund (KLEFPF)

The Christian County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF), administered by the Kentucky Justice Cabinet, which is designed to provide adequate training to sheriff's deputies. During the year, the sheriff's office received \$114,279 from this program.

Note 6. On Behalf Payments

The Christian County Fiscal Court entered into a financing agreement with Kentucky Association of Counties Finance Corporation to purchase vehicles for the sheriff's office. The fiscal court requires the sheriff's office to make required lease payments when sufficient funds are available from the sheriff's fee account. For calendar year 2019, the sheriff's office paid \$144,973 for lease payments.

Note 7. Outstanding Checks Held In Escrow

The Christian County Sheriff deposits outstanding checks that do not clear the fee account timely, into a non-interest bearing account. When statutorily required, the sheriff will turn over the unclaimed funds to the Kentucky State Treasurer. The sheriff's escrowed amounts were as follows:

2017	\$138
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Note 8. Drug Forfeiture Fund

The Christian County Sheriff's office maintains a drug forfeiture fund to account for court-ordered forfeited cash and property related to drug cases as authorized in chapter KRS 218A. The beginning balance as of January 1, 2019, was \$2,365, which was received from the former sheriff. During the year, receipts were \$22,974 and disbursements were \$22,118, resulting in a balance of \$3,221 as of December 31, 2019.

Note 9. Donation Fund

The Christian County Sheriff's office has established a donation fund to account for donations received from the public as authorized by KRS 61.310. These funds are to be used as designated by the donor or to further the public purpose of the office. The beginning balance as of January 1, 2019 was \$2,551, which was received by the former sheriff. During the year, receipts were \$8,035 and disbursements were \$9,331 leaving a balance of \$1,255 as of December 31, 2019.

Note 10. Commitments and Contingencies

The Christian County Sheriff's office is involved in a lawsuit. While this outcome of this lawsuit may not be significant, due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the Christian County Sheriff's office cannot be made at this time.

CHRISTIAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019
(Continued)

Note 11. 75% Operating Fund - Deficit Balance

The Christian County Sheriff's 75% operating fund had a deficit balance of \$114,820 as of December 31, 2019. 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 has to be settled at the end of the sheriff's term, which ends December 31, 2022.

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*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
The Honorable Tyler DeArmond, Christian County Sheriff
Members of the Christian County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts and Disbursements - Regulatory Basis of the Sheriff of Christian 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, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2020. The Christian County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Christian 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 Christian County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Christian 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 certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-002 to be material weaknesses.



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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Christian County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2019-001.

Views of Responsible Official and Planned Corrective Action

The Christian County Sheriff's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The Christian County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statements, 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

October 21, 2020

SCHEDULE OF FINDINGS AND RESPONSES

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CHRISTIAN COUNTY
TYLER DEARMOND, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Christian County Sheriff's Office Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained

There were no functioning internal controls in place over the work performed by the former bookkeeper. The sheriff failed to provide adequate oversight, allowing the former bookkeeper complete control over the accounting and reporting functions. The following deficiencies and errors were noted during the performance of the audit:

- The fourth quarter financial report was incomplete and inaccurate:
 - The amount of receipts reported in the summary reconciliation for the fee account did not agree to total receipts reported in the body of the fourth quarter financial report. The summary reconciliation was understated by \$4,808.
 - The summary page did not include all accounts maintained by the sheriff's office, i.e. drug, donation, and escrow accounts.
 - Federal grant receipts of \$6,908 were omitted from fourth quarter financial report.
 - The fourth quarter financial report was not signed by the sheriff.
- The receipts ledger was incomplete and inaccurate:
 - The receipts ledger was materially misstated when compared to the fourth quarter financial report. Receipts were understated by \$2,451,229.
 - The receipts ledger did not reconcile to bank records.
 - The receipts ledger did not foot or cross foot.
 - Year to date summary did not include the grant overtime or finger print categories.
 - Monthly totals did not agree to monthly ledgers.
- The former bookkeeper did not maintain a disbursement ledger for the fee account; therefore, disbursements of \$4,129,910 on the fourth quarter report were not properly supported.
- The sheriff's 75% operating fund financial activity did not reconcile to the EMARS reports processed by the state. Receipts and disbursements of the 75% operating fund were materially understated by \$1,624,155 and \$103,298, respectively. The former bookkeeper failed to report all of the fees collected during December 2019, which were remitted to the operating fund after year end.
- The ending balance of the 75% operating fund did not agree to EMARS' balance at December 31, 2019. This balance was understated by \$20,478.
- A \$1,225,000 contribution received from the Christian County Fiscal Court in June 2019 was not deposited into the local fee account, but rather directly submitted to County Fees to be posted to the 75% operating account. Also, \$7,524 from the June pay-in voucher was not deposited into the local fee account, but was also submitted directly to County Fees for posting to the 75% operating account.

The Christian County Sheriff failed to implement a strong internal control system or provide proper oversight to ensure complete and accurate accounting records were maintained, and instead relied on a single person without adequate oversight. Additionally, the former bookkeeper lacked sufficient understanding of all accounting concepts and responsibilities. Due to the lack of oversight of the former bookkeeper's functions by the sheriff and the former bookkeeper's inability to perform her job duties, the deficiencies, non-compliances, and undetected errors noted above pertaining to required record-keeping were allowed to occur.

Strong internal controls over the reporting process are vital to ensure the sheriff's financial reports accurately reflect the financial activity of the sheriff, as well as, adherence to applicable laws and regulations.

CHRISTIAN COUNTY
 TYLER DEARMOND, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2019
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-001 The Christian County Sheriff's Office Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained (Continued)

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. Additionally, the *Financial Operations in Counties with Population of 70,000 or More*, issued by the Finance and Administration Cabinet, Office of the Controller, Division of Local Government, County Fees Systems includes procedural instructions for reporting 75/25% activity. KRS 64.100 states, "[e]ach sheriff shall keep an accurate account of all fees collected by him from all sources."

We recommend the Christian County Sheriff strengthen oversight and internal controls in order to ensure complete and accurate accounting records are maintained and that no one individual has control over the accounting functions without establishing checks and balances to verify amounts recorded and reported are accurate.

Sheriff's Response: With 2019 being the first year of my term, it proved to be both challenging and educational. The previous administration bookkeeper retired with the former Sheriff, leaving my administration with a lot of questions. Although we had cooperation and contacts outside state and county offices, we were often faced with not knowing what questions to ask. Half way through 2019 I discovered my bookkeeper was overwhelmed and under qualified to handle such a position. Fortunately, I was able to hire our current bookkeeper who has proven to be both capable and qualified to guide our office back to the correct path and keep us going in the right direction. My Office has now implemented a 3-step internal process to ensure accurate accounting records are maintained, we properly account for tax commissions, ensure that we properly remit fees to Christian County 75/25% Accounts, and ensure we have an internal control over disbursements. The process, which has already been implemented, includes myself, my bookkeeper, and my Chief Deputy. The 3 of us will continue to monitor, verify, oversee, and ensure that recommendations made in this audit report are followed to the best of our ability. We will continue to work closely with our Auditors and County Treasurer to ensure all areas of our office our held, and kept, to the highest standards.

2019-002 The Christian County Sheriff's Office Failed To Properly Account For Tax Commissions

The Christian County Sheriff's office reported \$906,814 in tax commissions for calendar year 2019. However, the sheriff failed to remit \$147,151 of tax commissions earned in October 2019 from the tax account. The sheriff's total commissions earned in October 2019 was \$352,255; however, only \$205,104 was deposited into the fee account. The finance officer stated that it appeared the commissions earned during the last week of October were not properly distributed to the fee account. Due to the tax commissions being understated for calendar year 2019, \$147,151 in funds were not available for the operation of the sheriff's office.

Good internal controls dictate adequate procedures be designed to prevent and detect errors in financial reporting in order to ensure all financial information is accurately reported.

We recommend the Christian County Sheriff implement control procedures to ensure commissions earned on tax collections are accurately remitted to the fee account in timely manner.

CHRISTIAN COUNTY
TYLER DEARMOND, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Christian County Sheriff's Office Failed To Properly Account For Tax Commissions
(Continued)

Sheriff's Response: With 2019 being the first year of my term, it proved to be both challenging and educational. The previous administration bookkeeper retired with the former Sheriff, leaving my administration with a lot of questions. Although we had cooperation and contacts outside state and county offices, we were often faced with not knowing what questions to ask. Half way through 2019 I discovered my bookkeeper was overwhelmed and under qualified to handle such a position. Fortunately, I was able to hire our current bookkeeper who has proven to be both capable and qualified to guide our office back to the correct path and keep us going in the right direction. My Office has now implemented a 3-step internal process to ensure accurate accounting records are maintained, we properly account for tax commissions, ensure that we properly remit fees to Christian County 75/25% Accounts, and ensure we have an internal control over disbursements. The process, which has already been implemented, includes myself, my bookkeeper, and my Chief Deputy. The 3 of us will continue to monitor, verify, oversee, and ensure that recommendations made in this audit report are followed to the best of our ability. We will continue to work closely with our Auditors and County Treasurer to ensure all areas of our office our held, and kept, to the highest standards.