

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

**For The Period
January 1, 2024 Through September 30, 2024**



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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Larry R. Bryant, Adair County Judge/Executive
The Honorable Joshua Brockman, Former Adair County Sheriff
The Honorable Gary Roy, Adair County Sheriff
Members of the Adair County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Sheriff of Adair County, Kentucky, for the period January 1, 2024 through September 30, 2024, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Adair County Sheriff for the period January 1, 2024 through September 30, 2024, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws as described in Note 1.

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 section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the former Adair County Sheriff, as of September 30, 2024, or changes in financial position or cash flows thereof for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the former Adair County Sheriff and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Larry R. Bryant, Adair County Judge/Executive
The Honorable Joshua Brockman, Former Adair County Sheriff
The Honorable Gary Roy, Adair County Sheriff
Members of the Adair County Fiscal Court

Basis for Opinion (Continued)

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 Adair 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 and budget laws, 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 and pervasive.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this 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 a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the former Adair County Sheriff's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 former Adair County Sheriff's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

The Honorable Larry R. Bryant, Adair County Judge/Executive
The Honorable Joshua Brockman, Former Adair County Sheriff
The Honorable Gary Roy, Adair County Sheriff
Members of the Adair County Fiscal Court

Auditor’s Responsibilities for the Audit of the Financial Statement (Continued)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the former Adair County Sheriff’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2025, on our consideration of the former Adair 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the former Adair County Sheriff’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 findings:

- 2024-001 The Former Adair County Sheriff’s Office Did Not Have Adequate Segregation Of Duties
- 2024-002 The Former Adair County Sheriff Did Not Have Adequate Controls Over Payroll Processes
- 2024-003 The Former Adair County Sheriff Did Not Properly Settle Accounts Upon Vacation Of Office
- 2024-004 The Former Adair County Sheriff’s Third Quarter Financial Statement Does Not Agree To Underlying Accounting Records

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

November 3, 2025

ADAIR COUNTY
 JOSHUA BROCKMAN, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2024 Through September 30, 2024

Receipts

Federal:

Fees For Services	\$	12,028
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State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		27,602
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State Fees For Services:

Finance and Administration Cabinet	\$ 88,070	
Sheriff Security Service	11,553	99,623

Circuit Court Clerk:

Fines and Fees Collected	5,039	
Court Ordered Payments	676	5,715

Fiscal Court		104,735
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County Clerk - Delinquent Taxes		24,438
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Commission On Taxes Collected		42,154
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Fees Collected For Services:

Auto Inspections	38,055	
Accident and Police Reports	430	
Serving Papers	22,272	
Carry Concealed Deadly Weapon Permits	2,840	
Adanta	17,822	81,419

Other:

Add-On Fees	19,100	
School Resource Officer	23,080	
Reimbursement/ Refunds	6,741	48,921

Interest Earned		38
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Borrowed Money:

State Advancement		200,000
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Total Receipts		646,673
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The accompanying notes are an integral part of this financial statement.

ADAIR COUNTY
 JOSHUA BROCKMAN, FORMER SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Period January 1, 2024 Through September 30, 2024
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	229,763	
Part-Time Salaries		99,596	
Other Salaries		62,189	
Overtime		11,102	
School Resource Officer Gross Salaries		16,895	
KLEFPF Salaries		23,367	
Employee Benefits-			
Employer's Share Social Security		39,818	
Contracted Services-			
Advertising		86	
Vehicle Maintenance and Repairs		2,558	
Materials and Supplies-			
Office Materials and Supplies		2,765	
Uniforms		1,175	
Auto Expense-			
Gasoline		34,406	
Other Charges-			
Conventions and Travel		565	
Dues		623	
Bond		121	
Miscellaneous		1,288	
Training		753	
Adanta		2,889	
PTS (Prisoner Transport)		2,557	
Personal Services		800	
Capital Outlay-			
Office Equipment		1,801	\$ 535,117
Total Disbursements			<u>\$ 535,117</u>

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

ADAIR COUNTY
 JOSHUA BROCKMAN, FORMER SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Period January 1, 2024 Through September 30, 2024
 (Continued)

Net Receipts	\$ 111,556
Less: Statutory Maximum	<u>81,077</u>
Excess Fees	30,479
Less: Training Incentive Benefit	<u>5,153</u>
Excess Fees Due County	25,326
Payment to Fiscal Court - November 26, 2024	<u>1,531</u>
Balance - Outgoing Adair Sheriff	23,795
Transfer to Incoming Adair Sheriff	<u>21,695</u>
Balance Due Fiscal Court at Completion of Audit*	<u><u>\$ 2,100</u></u>

* This amount consists of a refund due from the state for overpayment of state payroll withholdings. Once this amount is refunded from the state, it will be due to the fiscal court as excess fees.

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT

September 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statement has 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. Authority for the regulatory basis is found in Kentucky Revised Statutes (KRS).

The Department for Local Government (DLG) is the regulatory agency responsible for establishing minimum accounting requirements for local government entities. The commissioner of the DLG is designated as the state local finance officer. (KRS 68.001). The DLG must prescribe and maintain “a uniform system of accounting and reporting on the receipt, use and handling of all public funds, other than taxes, due and payable to the state” from local government entities. (KRS 46.010(1)). The state local finance officer supervises the administration of the county uniform budget system and accounts and financial operations and must prescribe a “uniform system of accounts for all counties and county officials.” (KRS 68.210). Under this authority, the DLG requires local governments to follow guidelines set forth in its *County Budget Preparation and State Local Finance Officer Policy Manual* (Manual) to meet the minimum required reporting for financial statement purposes.

The regulatory basis is outlined in the Manual and defines the measurement, presentation, disclosure, and recognition requirements for financial transactions when preparing regulatory basis financial statements. The Manual includes the standardized format for quarterly reporting to DLG.

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) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2024 services
- Reimbursements for 2024 activities
- Payments due to other governmental entities for December tax and fee collections and payroll
- Payments due to vendors for goods or services provided in 2024

B. Measurement Focus and Excess Fees

The measurement focus of a fee official’s financial statement is upon current financial resources. A sheriff must remit to the fiscal court any income of his or her office, including the income from investments, that exceeds the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants, when making his or her annual settlement. (KRS 134.192(12)). This settlement is due to the fiscal court by March 15 of each year. (KRS 134.192(11)). An outgoing sheriff shall make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office. (KRS 64.830). The fiscal court shall collect any amount due from the sheriff as determined by the audit. (KRS 64.820).

C. 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.

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT
September 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. 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 sheriff's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which has been governed by the CERS nine-member board of trustees since April 1, 2021. The Kentucky Public Pensions Authority (KPPA) was created by KRS 61.505, effective April 1, 2021, to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems. CERS 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, vesting requirements, and provisions are established by statute and are determined by participation date and hazardous or non-hazardous participation.

The former sheriff's contribution for calendar year 2022 was \$7,559, calendar year 2023 was \$8,243, and calendar year 2024 was \$0. The county's contribution rate for nonhazardous employees for calendar year 2024 was 23.34% for the first six months and 19.71% for the period July 1, 2024 through September 30, 2024. The county's contribution rate for hazardous employees was 43.69 percent for the first six months and 38.61 percent for the period July 1, 2024 through September 30, 2024.

Other Post-Employment Benefits (OPEB)

CERS provides post-retirement health care, cost of living adjustments for all recipients of retirement benefits, and a retired member's death benefit, all determined by participation date and hazardous or non-hazardous participation.

Specific details about retiree pension and OPEB benefits can be found online at: <https://www.kyret.ky.gov/Publications>.

Kentucky Public Pension Authority's Annual Financial Report and Proportionate Share Audit Report

KPPA issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. Many of these annual reports are available online at <https://kyret.ky.gov>. Reports may also be obtained by writing the KPPA, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA 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.

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT
September 30, 2024
(Continued)

Note 3. Deposits

The former Adair County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Manual. The Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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. These requirements were met.

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 former Adair County Sheriff did not have a deposit policy for custodial credit risk, but rather followed the requirements of the Manual. As of September 30, 2024, all deposits were covered by a properly executed collateral security agreement.

Note 4. Federal Fees For Services – U.S. Army Corps of Engineers

The former Adair County Sheriff's Office received fees from the United States Army Corp of Engineers to provide patrols around Green River Lake. The Adair County Sheriff's Office received a total of \$12,028 under the contract through September 30, 2024.

Note 5. Short-term Debt

Direct Borrowings

A. The former Adair County Sheriff's office received a state advancement of funds in the amount of \$200,000 to defray the expenses of the office for 2024. This is an interest free loan program offered by the state. The loan was outstanding as of September 30, 2024, and was repaid by the incoming sheriff on December 13, 2024.

B. Changes in Short-term Debt

The Adair County Sheriff's Office was committed to the following short-term debt as of September 30, 2024.

	Beginning Balance	Additions	Reductions	Ending Balance
State Advancement	\$	\$ 200,000	\$	\$ 200,000
Total Short-term Debt	\$ 0	\$ 200,000	\$ 0	\$ 200,000

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT
September 30, 2024
(Continued)

Note 6. Drug Account

Drug investigation funds are to be used for drug enforcement expenses of the Adair County Sheriff's Office and are kept separate from the former sheriff's fee account. As of January 1, 2024, the account had a balance of \$5,988. From January 1, 2024 through September 30, 2024 there were receipts of \$4,234 and disbursements totaled \$5,364. As of September 30, 2024, the balance of the account was \$4,858.

Note 7. Contingencies

The former Adair County Sheriff, Joshua Brockman, is involved in a lawsuit. While individually it may not be significant, in the aggregate it could negatively impact the financial position of the sheriff's office. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the sheriff's office cannot be made at this time.

Note 8. Subsequent Events

The former Adair County Sheriff retired on September 30, 2024. James Richard was appointed by the county judge/executive as the Adair County Sheriff on October 1, 2024, and he retired on July 31, 2025. Gary Roy was appointed by the county judge/executive as the Adair County Sheriff on August 1, 2025.

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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ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS

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

The Honorable Larry R. Bryant, Adair County Judge/Executive
The Honorable Joshua Brockman, former Adair County Sheriff
The Honorable Gary Roy, Adair County Sheriff
Members of the Adair County Fiscal Court

We have audited, 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 Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Adair County Sheriff for the period January 1, 2024 through September 30, 2024, and the related notes to the financial statement and have issued our report thereon dated November 3, 2025. The former Adair 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the former Adair County Sheriff's internal control over financial reporting (internal control) as a basis for designing 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 Adair County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Adair County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, and 2024-003 to be material weaknesses.



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)

Report on Internal Control over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2024-004 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Adair 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 financial statement. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2024-002 and 2024-003.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards require the auditor to perform limited procedures on the Adair County Sheriff's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Adair County Sheriff's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

November 3, 2025

SCHEDULE OF FINDINGS AND RESPONSES

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ADAIR COUNTY
JOSHUA BROCKMAN, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Period January 1, 2024 Through September 30, 2024

2024-001 The Former Adair County Sheriff's Office Did Not Have Adequate Segregation Of Duties

The former Adair County Sheriff's Office lacked adequate segregation of duties and internal controls over receipts, disbursements, recordkeeping, review and approval, and reconciliations. The bookkeeper and deputy clerks collected all receipts. A deputy clerk prepared a daily bank deposit and reconciled the daily receipts to the daily collection report. The bookkeeper posted items to the receipts ledger, filed bank records, and performed bank reconciliations. There were dual signatures on fee account checks by the former sheriff and an office deputy; however, the auditor observed there were single signers on drug account checks and material disbursement categories were not paid by check. The disbursements not paid by check were paid online and bypassed the dual signature control. The bookkeeper prepared the monthly bank reconciliation, although there was nothing documented to determine who prepared the reconciliation or that it was reviewed by the former sheriff or another individual. The auditor also observed several bank statements were not on file at the former sheriff's office and had to be obtained from the bank. By not segregating these duties and ensuring all documents were on file, there was an increased risk of misappropriation of assets either by undetected error or fraud. Internal controls and proper segregation of duties protect employees and the sheriff in the normal course of performing their daily responsibilities.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts which is outlined in the Department of Local Government's *County Budget Preparation & State Local Finance Officer Policy Manual*. The manual requires that all disbursements be made by check.

The former sheriff did not implement an adequate internal control system to improve segregation of duties.

We recommend the Adair County Sheriff's Office implement internal controls and segregate duties as much as possible. Employees receiving payments deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and, in that case, the sheriff could take on the responsibility of preparing or reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, invoices, bank statements, and bank reconciliations to ensure financial records are complete and accurate. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control.

Former Sheriff's Response: Due to limited staff in office certain duties cannot be segregated without hiring additional staff.

ADAIR COUNTY
JOSHUA BROCKMAN, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period January 1, 2024 Through September 30, 2024
(Continued)

2024-002 The Former Adair County Sheriff Did Not Have Adequate Controls Over Payroll Processes

The former sheriff did not have adequate controls in place over payroll processing. While the former sheriff signed payroll checks and most deputy timesheets, he did not implement effective controls over sick and vacation leave time balances, ensure all timesheets were approved by a supervisor, verify that employee hours and overtime earned matched hours paid, determine withholdings were paid and deducted from reconciliations, and process payroll in accordance with the Adair County Administrative Code.

The auditor observed the following deficiencies:

- Eight timesheets observed did not have documented supervisory approval.
- One time sheet did not have an employee signature.
- A leave log could not be generated from the accounting system showing leave accrual or use history. This information was only reported on employee paystubs.
- One employee had vacation leave documented on the employee's timesheet, but the leave was not deducted from the leave balance on the paystub.
- One employee worked overtime but was not compensated at the overtime rate for the hours worked over 40.
- The rate for sick leave for biweekly full-time employees was accumulated at a rate of 4.0 hours per pay period, which was not in accordance with rate of 3.69 per the Adair County Administrative Code.
- One part-time employee who was responsible for payroll accrued sick and vacation leave to which she was not entitled and used sick and vacation leave from prior full-time employment in violation of the Adair County Administrative Code.
- The same part-time employee who was responsible for payroll was not paid out leave balances at retirement in accordance with the Adair County Administrative Code.
- The same part time employee's last paystub dated July 25, 2025 showed an unpaid leave balance with an assigned value of \$9,036 to which the employee was not entitled. This balance consisted of sick and vacation time accrued while the employee worked part-time, which is not permitted by the Adair County Administrative Code. It also included one half of the part-time employee's sick leave prior to retirement that was to be forfeited at retirement under the Adair County Administrative Code. The other half of the employee's sick leave was to be paid out.
- One payment for state withholdings was booked twice to the former sheriff's disbursements ledger. This item was on the payroll reconciliation but was not paid from the payroll account. This resulted in additional excess fees that must be paid to fiscal court.
- Another payment for state withholdings was paid twice. The error was not caught, and a refund had to be requested for the duplicate payment during the audit.

In addition, bank reconciliations of the payroll account were not always documented, and the sheriff's office did not properly reconcile the September 30, 2024, payroll bank reconciliation. This reconciliation should include any outstanding deposits or payroll liabilities for the last pay period. The former sheriff used a separate bank account for payroll processing. Payroll revolving accounts are used to process individual payroll transactions and should zero out or reconcile to a minimal carrying balance each month. Deposits are made into the account from the sheriff's fee account to pay for salaries, taxes, matching portion of taxes, employee insurance and retirement withholdings turned over to fiscal court. One person performs reconciliations and prepares payroll reports without a documented review by another employee or sheriff to ensure accuracy.

Without adequate controls in place, there was an increased risk of misappropriation of assets either by undetected error or fraud. Internal controls and proper segregation of duties protect employees and the sheriff in the normal course of performing their daily responsibilities.

ADAIR COUNTY
 JOSHUA BROCKMAN, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period January 1, 2024 Through September 30, 2024
 (Continued)

2024-002 The Former Adair County Sheriff Did Not Have Adequate Controls Over Payroll Processes
 (Continued)

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

KRS 337.285(1) requires, “[n]o employer shall employ any of his or her employees for a work week longer than forty (40) hours, unless such employee receives compensation for his or her employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he or she is employed.”

Adair County Administrative Code Section 5.34 Sick Time Leave (A)(2) requires, “[f]ull-time nonexempt employees shall be eligible for sick leave at the accrual rate of 3.69 hours bi-weekly. Part-time, Seasonal and Temporary employees are not eligible for sick leave.”

Adair County Administrative Code Section 5.34 Sick Time Leave (B)(5) requires, “[i]n the event an employee retires from employment of the county one-half of all unused sick leave credit will be bought by the county at the regular rate of pay. Employees who leave employment with the county either voluntarily or non-voluntarily will not be paid for and will lose any sick time they have accrued. No other sick time will be paid out unless an employee retires from employment from the county or upon a current employee’s death.”

We recommend the Adair County Sheriff’s Office implement strong and effective internal controls over the payroll account and payroll processing to ensure adherence to applicable laws, regulations and the county’s administrative code. The sheriff should:

- Properly reconcile the payroll account each month to zero.
- Ensure payroll amounts are transferred correctly from the fee account and paid to the appropriate entities.
- Ensure payroll amounts and leave benefits are paid properly to employees.
- Review underlying payroll records to ensure employees are paid the correct hours.
- Properly pay or write off any balance of leave of part-time employees.
- Maintain a leave log that documents leave accrual and use history.

These reviews should be documented in a way that indicates what was reviewed, by whom, and when. Signing off on inaccurate information does not provide internal control.

Former Sheriff’s Response: There were 8 timesheets I failed to sign which was oversight on my part. Also when one employee retired the computer adjustments were not made and said employee was still accumulating sick & vacation. This was taken off when found & of no loss of money to county.

ADAIR COUNTY
JOSHUA BROCKMAN, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Period January 1, 2024 Through September 30, 2024
(Continued)

2024-003 The Former Adair County Sheriff Did Not Properly Settle Accounts Upon Vacation Of Office

The former Adair County Sheriff retired from office on September 30, 2024, which made his third quarter financial statement his final report and settlement. While the former sheriff presented the third quarter financial statement to the fiscal court and sent the report to the Department for Local Government, the former sheriff did not remit excess fees to the fiscal court or properly document the transfer of the balances of his payroll revolving account and drug forfeiture account.

Excess fees of \$21,695 were not remitted to the Adair County Fiscal Court as required. Instead, these fees were transferred to the incoming sheriff through the transfer of the 2024 fee bank account by removing the former sheriff and adding the incoming sheriff on the bank signature card. This caused the former and subsequent sheriff's funds to be comingled. Excess fees of \$1,531 were paid by the former sheriff to the Adair County Fiscal Court. Additional excess fees of \$2,100 are due from the payroll account from the former sheriff.

Because the bank accounts were transferred to the incoming sheriff without documentation of reconciliations or balances, amounts attributable to the outgoing sheriff could be confused and reported as amounts attributable to the incoming sheriff and vice versa resulting in a misstatement of the financial statements and fund balances.

KRS 64.820(1) states, “[t]he fiscal court shall collect any amount due the county from county officials as determined by the audit of the official conducted pursuant to KRS 43.070 and 64.810 if the amount can be collected without suit.”

KRS 64.830(1) states, “[a]n outgoing county official, as soon as his successor has been qualified and inducted into office and his official bond approved, shall immediately vacate his office, deliver to his successor all books, papers, records and other property held by virtue of his office, and make a complete settlement of his accounts as county official, except as otherwise provided in this section.”

The former Adair County Sheriff explained he did not realize excess fees could not be used by the incoming sheriff for the same budget for the calendar year. The former Adair County Sheriff explained he did not realize he had to formally document the transfer of the payroll revolving account and the drug forfeiture account.

We recommend the Adair County Sheriff's Office remit excess fees to the Adair County Fiscal Court when a sheriff vacates his or her office. We further recommend that documentation of transferred reconciled balances be maintained upon the vacation of office to ensure beginning balances attributable to the incoming official are correct.

Former Sheriff's Response: I was not aware that I could not transfer funds in our account to the incoming sheriff for use. Funds were to be transferred to fiscal court then they write a check back to sheriff's office for same amount. However all funds were accounted for.

ADAIR COUNTY
 JOSHUA BROCKMAN, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Period January 1, 2024 Through September 30, 2024
 (Continued)

2024-004 The Former Adair County Sheriff's Third Quarter Financial Statement Does Not Agree To Underlying Accounting Records

The former Adair Sheriff's Office did not have adequate internal controls over financial reporting. The former sheriff retired from office on September 30, 2024, which made his third quarter financial statement his final report and settlement. When the auditor compared the receipts and disbursements ledgers to the third quarter financial statement, there were numerous differences that could not be reconciled. As a result, the former sheriff's third quarter financial report that was submitted to the Department for Local Government (DLG) was inaccurate when compared to the former sheriff's final settlement for partial calendar year 2024.

Because the former Adair County Sheriff neglected to implement controls over financial reporting, the following problems occurred:

- Receipts reported on the third quarter financial statement were overstated by \$9,541.
- Disbursements reported on the third quarter financial statement were understated by \$2,951.
- Receipts were overstated by \$1,104 due to a posting error.
- Receipts totaling \$396 were not posted to the ledger.
- One disbursement for \$2,100 was booked to the ledger twice.
- One disbursement for \$957 was not booked to the ledger.
- Liabilities were not recorded on the third quarter financial statement.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The lack of internal controls, including effective compensating controls, over the financial reporting function are basic internal controls necessary to ensure the accuracy and reliability of financial reports.

We recommend the Adair County Sheriff's Office strengthen internal controls over financial reporting to ensure the quarterly financial reports are complete and accurate. This should include a thorough review of financial reports and comparing them to the receipts and disbursements ledgers and monthly bank reconciliations prior to submitting the reports to the DLG. These reviews must be documented in a way that indicates what was reviewed, by whom, and when. Signing off on inaccurate information does not provide internal control.

Former Sheriff's Response: This event occurred after my retirement but is due to accounts not being closed in my name & new accounts being opened in new Sheriffs name. Instead my name was took off accounts & new Sheriffs name was just added.

Auditor's Reply: The issues noted above pertain only to the former sheriff's third quarter financial and underlying supporting financial records.