

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

**For The Year Ended
December 31, 2022**



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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
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 <i>GOVERNMENT AUDITING STANDARDS</i>	5
SCHEDULE OF FINDINGS AND RESPONSES	9

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ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Zeke Little, Jr., Owsley County Judge/Executive
The Honorable Brent Lynch, Former Owsley County Sheriff
The Honorable Tara Roberts, Owsley County Sheriff
Members of the Owsley County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We were engaged to audit the accompanying Statement of Receipts, Disbursements, and Excess Fees – Regulatory Basis of the former Sheriff of Owsley County, Kentucky, for the year ended December 31, 2022, and the related notes to the financial statement.

We do not express an opinion on the accompanying financial statement of the former Owsley County Sheriff. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Opinion

Our basis for disclaiming is that we were unable to obtain required financial statements from the former Owsley County Sheriff. Management is required to prepare quarterly reports and an annual settlement of excess fees. Due to the former Owsley County Sheriff's failure to complete these reports we were unable to place appropriate reliance on the information provided during the audit and, therefore, cannot reduce the audit risk to an acceptable level.

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.



The Honorable Zeke Little, Jr., Owsley County Judge/Executive
The Honorable Brent Lynch, Former Owsley County Sheriff
The Honorable Tara Roberts, Owsley County Sheriff
Members of the Owsley County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement

Our responsibility is to conduct an audit of the former Owsley County Sheriff's financial statements 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 Controller General of the United States and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the former Owsley County Sheriff and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023, on our consideration of the former Owsley 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 Owsley 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:

- 2022-001 The Former Owsley County Sheriff Failed To Complete Quarterly Financial Reports Or Submit An Annual Settlement To The Owsley County Fiscal Court For 2022
- 2022-002 The Former Owsley County Sheriff's Office Did Not Have Adequate Segregation Of Duties
- 2022-003 The Former Owsley County Sheriff Failed To Turn Over Cell Phones Purchased With Funds From The 2022 Fee Account

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

November 2, 2023

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 Zeke Little, Jr., Owsley County Judge/Executive
The Honorable Brent Lynch, Former Owsley County Sheriff
The Honorable Tara Roberts, Owsley County Sheriff
Members of the Owsley County Fiscal Court

We were engaged to 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 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 Owsley County Sheriff for the year ended December 31, 2022, and the related notes to the financial statement and have issued our report thereon dated November 2, 2023. Our report disclaims an opinion on the financial statement because we were unable to obtain required financial statements from the former Owsley County Sheriff. Due to the former Owsley County Sheriff's failure to complete these reports we were unable to place appropriate reliance on the information provided during the audit and, therefore, cannot reduce the audit risk to an acceptable level.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the former Owsley 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 Owsley County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Owsley 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.

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 2022-001 and 2022-002 to be material weaknesses.



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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Owsley 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 2022-001 and 2022-003.

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 2, 2023

SCHEDULE OF FINDINGS AND RESPONSES

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OWSLEY COUNTY
BRENT LYNCH, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Former Owsley County Sheriff Failed To Complete Quarterly Financial Reports Or Submit An Annual Settlement To The Owsley County Fiscal Court 2022

The former Owsley County Sheriff failed to complete quarterly financial reports for the third and fourth quarters of calendar year 2022 and did not submit an annual settlement to the fiscal court for his 2022 fee collections. In addition, the former sheriff has not settled his fee account upon vacating the sheriff's office on December 31, 2022, as required by statute. The balance in the 2022 fee account is \$6,205.

Due to the lack of a financial statement, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

The former Owsley County Sheriff lost re-election and vacated office on December 31, 2022. Prior to leaving office, the former sheriff replaced his bookkeeper who had been employed with the former sheriff for his term. Through inquiry with the former sheriff, neither his new bookkeeper or himself was aware of the proper requirements regarding financial reporting and settlement of excess fees with the county.

Failure to establish adequate controls, oversight, and review procedures increases the risk that undetected fraud or other errors will occur. The lack of adequate management oversight provides an environment in which an individual could manipulate financial records and misappropriate or misdirect funds. The weak internal control system has also resulted in delinquent notices from the Department for Local Government which requires a sheriff to submit financial records quarterly. Due to the issue noted above, a disclaimer of opinion will be issued on the former sheriff's 2022 fee audit.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. As noted in the *County Budget Preparation and State Local Finance Officer Policy Manual*, the state local finance officer requires officials to submit a financial status report on a quarterly basis. This report is prepared from the books of accounts for receipts and disbursements of the sheriff and is due by the 30th day of the month following end of the quarter.

KRS 64.830 states, "(1) An 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. (2) Each outgoing county official shall make a final settlement with the fiscal court of his county by March 15 immediately following the expiration of his term of office for all money received by him as county official and to obtain his quietus, and immediately thereafter he shall deliver these records to the incumbent county official."

We recommend the sheriff's office comply with the requirements by preparing and submitting all quarterly financial reports timely. We also recommend the sheriff's office submit an annual settlement to the fiscal court as required by statute. At the time of the settlement, the sheriff should pay all excess fees to the fiscal court. We recommend the former sheriff remit, to the fiscal court, \$6,205 in excess fees for calendar year 2022.

Former Sheriff's Response: The former official did not provide a response.

OWSLEY COUNTY
 BRENT LYNCH, FORMER SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2022
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Former Owsley County Sheriff's Office Did Not Have Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2021-001. The former sheriff's office did not have adequate segregation of duties. The former sheriff's bookkeeper collected payments from customers, prepared deposits, wrote checks, posted transactions to the receipts ledger, posted checks to the disbursements ledger, prepared monthly and quarterly reports, and prepared all reconciliations. The former sheriff or another employee did not document oversight of any of these activities.

According to the former sheriff, the limited budget placed restrictions on the number of employees the former sheriff could hire. Inadequate segregation of duties and lack of oversight increase the risk that errors or fraud will occur and go undetected. There is also less assurance that the financial information is complete, accurate, and free of misstatements.

The lack of adequate segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting. Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Further, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as opening 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. If this is not feasible due to budgetary constraints, cross checking procedures could be implemented and documented by the individual performing the procedure.

We recommend the sheriff's office separate the duties of receiving, processing, recording, reconciling, and reporting financial activity to separate individuals or implement and document compensating controls to offset this weakness.

Former Sheriff's Response: The former official did not provide a response.

2022-003 The Former Owsley County Sheriff Failed To Turn Over Cell Phones Purchased With Funds From The 2022 Fee Account

Auditor noted one liability of the former sheriff's office for cell phones included buying out four cell phones on the former sheriff's contract. Through inquiry with the new sheriff, these phones were never turned over by the former sheriff.

The former sheriff stated that he kept the cell phones in his possession because they included personal information for him and his deputies. He further stated that he still has the phones and is willing to provide them to the sheriff.

Failure to turn over property of the sheriff's office when an outgoing official leaves office is a noncompliance with KRS 64.830(1).

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."

OWSLEY COUNTY
BRENT LYNCH, FORMER SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Former Owsley County Sheriff Failed To Turn Over Cell Phones Purchased With Funds From
The 2022 Fee Account (Continued)

We recommend the former sheriff comply with KRS 64.830(1) by providing the sheriff with the cell phones purchased with the former sheriff 2022 fee account funds.

Former Sheriff's Response: The former official did not provide a response.