

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

**For The Year Ended
December 31, 2023**



**ALLISON BALL
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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 Tara Roberts, Owsley County Sheriff
Members of the Owsley 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 Sheriff of Owsley County, Kentucky, for the year ended December 31, 2023, 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 Owsley County Sheriff for the year ended December 31, 2023, 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 Owsley County Sheriff, as of December 31, 2023, 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 Owsley 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 Zeke Little, Jr., Owsley County Judge/Executive
The Honorable Tara Roberts, Owsley County Sheriff
Members of the Owsley 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 Owsley 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 Owsley 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 control. 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 Owsley 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Owsley County Sheriff's ability to continue as a going concern for a reasonable period of time.

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

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

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 September 18, 2024, on our consideration of the 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 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:

- 2023-001 The Owsley County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2023-002 The Owsley County Sheriff's Office Did Not Have Proper Controls In Place Over The Budget And The Fourth Quarter Financial Report
- 2023-003 The Owsley County Sheriff's Office Did Not Have Proper Controls In Place Over Disbursements

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

September 18, 2024

OWSLEY COUNTY
TARA ROBERTS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2023

Receipts

Federal Grant		\$	42,660
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			462
State Fees For Services:			
Finance and Administration Cabinet	\$	27,073	
Sheriff Security Service		<u>1,280</u>	28,353
Circuit Court Clerk:			
Fines and Fees Collected		697	
Court Ordered Payments		<u>4,033</u>	4,730
Fiscal Court			91,335
County Clerk - Delinquent Taxes			3,881
Commission On Taxes Collected			72,261
Fees Collected For Services:			
Auto Inspections		830	
Accident and Police Reports		275	
Serving Papers		4,257	
Carry Concealed Deadly Weapon Permits		<u>1,360</u>	6,722
Other:			
Add-On Fees		12,759	
Miscellaneous		<u>3,631</u>	<u>16,390</u>
Total Receipts			266,794

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

OWSLEY COUNTY
TARA ROBERTS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2023
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$	10,893
Other Salaries		29,396
Overtime		8,917
Employee Benefits-		
Employer's Share Retirement		12,081
Contracted Services-		
Advertising		733
Vehicle Maintenance and Repairs		5,774
Materials and Supplies-		
Office Materials and Supplies		5,173
Uniforms		8,581
Auto Expense-		
Gasoline		21,098
Other Charges-		
Dues		529
Postage		748
Miscellaneous		2,372
Tax Software		1,612
Tower Rent		360
Phones		6,980
K9 Training		9,559
Capital Outlay-		
Vehicles		56,905
		<u>\$ 181,711</u>
Total Disbursements		<u>\$ 181,711</u>
Net Receipts		85,083
Less: Statutory Maximum		<u>82,183</u>
Excess Fees		2,900
Less: Training Incentive Benefit		<u>1,246</u>
Excess Fee Due Fiscal Court at Completion of Audit		<u>\$ 1,654</u>

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2023

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 134.192 requires the sheriff to pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants by March 15 of each year. KRS 64.830 requires an outgoing sheriff to make a final settlement with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which 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) as of December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2023 services
- Reimbursements for 2023 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2023

The measurement focus of a fee official's financial statement is upon current financial resources. Per KRS 134.192(12), remittance of excess fees is due to the fiscal court when the sheriff makes their final settlement.

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).

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2023
(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 Kentucky Public Pensions Authority (KPPA). 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 2021 was \$7,865, calendar year 2022 was disclaimed, and calendar year 2023 was \$12,081.

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 CERS 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 CERS 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 26.79 percent for the first six months and 23.34 percent for the last six months.

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:

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2023
(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 78.5536.

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

Once members reach a minimum vesting period of 15 years, they 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 78.5536. 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 Kentucky Retirement Systems 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.

OWSLEY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2023
 (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.

Kentucky Retirement System Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement System 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.

Kentucky Retirement System 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 Owsley County Sheriff maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG 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 Owsley County Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2023
(Continued)

Note 4. Federal Grant

The Owsley County Sheriff's office received a Community Facilities grant from the United States Department of Agriculture (USDA) passed through from the Owsley County Fiscal Court in the amount of \$42,660 for the purchase of a sheriff's search and rescue vehicle. Funds totaling \$42,660 were expended during the year. The grant balance was \$0 as of December 31, 2023.

Note 5. Lease Agreements

The Owsley Sheriff's office was committed to the following lease agreements as of December 31, 2023:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2023
Copier	\$ 154	60 months	12/31/2027	\$ 7,388
Phones	87	36 months	1/7/2026	2,184
Totals	\$ 241			\$ 9,572

Note 6. On Behalf Payments

The Owsley County Fiscal Court paid a portion of the sheriff's statutory maximum and training incentive as reflected on the sheriff's financial statement. For the year ended December 31, 2023, the fiscal court's contribution recognized by the sheriff included the amounts that were based on the statutory maximum as required by KRS 64.5275. The Owsley County Sheriff recognized receipts and disbursements totaling \$77,107 for the portion of salary paid by the fiscal court for the statutory maximum and for the year ended December 31, 2023.

Note 7. Forfeiture Funds

Under terms mandated by the United State Department of Justice and the Commonwealth of Kentucky, the Owsley County Sheriff's office receives proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used exclusively for law enforcement activities and are not included in excess fees.

A. State Forfeiture Account

The balance in the account as of January 1, 2023, was \$0. During 2023, receipts of \$622 were transferred from the outgoing sheriff's account and miscellaneous receipts of \$13 for fees returned by the bank. The sheriff incurred bank fees of \$25. The balance of this account as of December 31, 2023, was \$610.

B. Federal Forfeiture Account

The balance in the account as of January 1, 2023, was \$0. During 2023, receipts of \$11,633 were transferred from the outgoing sheriff's account and miscellaneous receipts of \$38 for fees returned by the bank. The sheriff properly expended \$11,613 and bank fees of \$12 were deducted from the account. The balance as of December 31, 2023, was \$46.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2023
(Continued)

Note 8. K-9 Account

The Owsley County Sheriff's office received a grant from K9 Working Dogs International, LLC in the amount of \$10,000 for the purchase of a K-9 dog in May 2023. These funds were deposited into a K-9 account. Funds totaling \$10,000 were expended during the year for the purchase of a K-9 dog. The unexpended grant balance was \$0 as of December 31, 2023.

Note 9. Fiduciary Account – Escrow Account

The Owsley County Sheriff's office deposited outstanding checks into a custodial bank account. When statutorily required, the sheriff will turn over the escrowed funds to the Kentucky State Treasurer as unclaimed property. The sheriff's escrowed amounts were as follows:

2020 Fee Account	\$44
2020 Tax Account	\$10

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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 Tara Roberts, Owsley County Sheriff
Members of the Owsley 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 Owsley County Sheriff for the year ended December 31, 2023, and the related notes to the financial statement and have issued our report thereon dated September 18, 2024. The Owsley 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 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 Owsley County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and 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 2023-001 and 2023-002 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 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 2023-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 2023-002 and 2023-003.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Owsley County Sheriff's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Owsley 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

September 18, 2024

SCHEDULE OF FINDINGS AND RESPONSES

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OWSLEY COUNTY
TARA ROBERTS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2023

FINANCIAL STATEMENTS FINDINGS:

2023-001 The Owsley County Sheriff's Office Lacks Adequate Segregation Of Duties

The Owsley County Sheriff's Office does not have adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares daily checkout sheets, prepares disbursements, posts to the receipt and disbursement ledgers, prepares all reports, and performs all reconciliations. The sheriff or another employee did not document oversight over any of these activities.

According to the sheriff, the office had a limited number of employees that prevented an adequate segregation of duties over all accounting functions of the office. Inadequate segregation of duties increases the risk that errors or fraud will occur and go undetected. A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

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 adequate segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports and would prevent the same person from having a significant role in these incompatible functions.

We recommend the Owsley County Sheriff's Office separate the duties involved in receiving payments from customers, preparing daily checkout sheets, preparing disbursements, posting to ledgers, preparing reports, and preparing reconciliations. If this is not feasible due to a limited budget, cross checking procedures should be implemented and documented by the individual performing the procedures.

Sheriff's Response: Due to the lack of funds, we are understaffed but will and have already put into place steps to adequately segregate as many duties possible in future transactions.

2023-002 The Owsley County Sheriff's Office Did Not Have Proper Controls In Place Over The Budget And The Fourth Quarter Financial Report

The Owsley County Sheriff's Office lacks proper controls over budget procedures and the fourth quarter financial report. During review of the approved budget and the fourth quarter financial report, the following errors were noted for calendar year 2023.

- Approved budget did not calculate correctly resulting in total budgeted amounts being incorrect.
- Approved budget did not agree with budgeted amounts listed on the fourth quarter financial report. Auditor noted no budget amendments were submitted or approved.
- Sheriff failed to submit an annual order setting maximum amount for deputies and assistants.
- Sheriff's actual operating expenditures exceeded the total approved budget in the amount of \$32,292.
- Receipts of \$42,660 for a Community Facilities Grant for the purchase of a search and rescue vehicle was not recorded on the receipt ledger or fourth quarter financial report.
- The fourth quarter financial report included a liability for the sheriff's salary of \$46,058 that had not been paid from the 2023 fee account due to lack of funds in the account to pay this liability.

OWSLEY COUNTY
TARA ROBERTS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2023
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Owsley County Sheriff's Office Did Not Have Proper Controls In Place Over The Budget And The Fourth Quarter Financial Report (Continued)

The sheriff failed to establish internal controls over the budgeting process. Also, the sheriff did not know that grant receipts should be included, and unpaid liabilities should not be included on the fourth quarter financial report. By not having proper oversight in the office, the sheriff's approved budget did not calculate correctly, budgeted amounts did not agree to budgeted amounts on the fourth quarter financial report, the sheriff overspent the total approved budget by \$32,292, and the sheriff failed to submit an annual order setting maximum amounts for deputies and assistants. Furthermore, the fourth quarter financial report receipts and disbursements were materially misstated due to unrecorded receipts of \$42,660 and unpaid liabilities of \$46,058.

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." Having proper controls in place over budgeting procedures is a basic internal control necessary to ensure the accuracy and reliability of financial reports and would assist in preventing inaccurate budgeted amounts and budgets lacking the proper supporting documentation.

KRS 64.530(3) states, in part, "[t]he fiscal court may also fix the reasonable maximum amount that the officer may expend each year for expenses of his office." In addition, KRS 64.530(3) states, "[t]he fiscal court shall fix annually the reasonable maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant."

We recommend the sheriff maintain oversight to ensure the budget calculates correctly, approved budgeted amounts agree with the fourth quarter financial statement, and an Annual Order Setting Maximum Amount For Deputies And Assistants form is submitted with the budget each year to the fiscal court for approval. In addition, we recommend the sheriff monitor her budget and ensure she does not overspend the budgeted amounts approved by the fiscal court and improve procedures over financial reporting to ensure transactions are properly recorded and financial statements are materially stated.

Sheriff's Response: As reported to the auditor, we were not left any records from the previous administration and was given a budget that was inflated of actual monies expected.

Auditor's Reply: The sheriff should have monitored her budget and submitted a budget amendment prior to the end of the year.

OWSLEY COUNTY
 TARA ROBERTS, SHERIFF
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2023
 (Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Owsley County Sheriff's Office Did Not Have Proper Controls In Place Over Disbursements

The Owsley County Sheriff's Office lacks proper controls over disbursement procedures. During testing of disbursements, the following exceptions were noted regarding the sheriff's 2023 fee account:

- One disbursement was not supported by an invoice or receipt.
- One disbursement was not supported by an itemized invoice or receipt.
- One disbursement was not paid within 30 days.
- A debit card was used which did not allow for proper approval of disbursements.
- Fifty-seven of the 117 credit card charges totaling \$2,180 were not supported by an invoice or receipt.
- Two of the 117 credit card charges were not supported by an itemized invoice or receipt.
- The sheriff made partial payments for credit card invoices which resulted in interest applied to the sheriff's credit card account.

Furthermore, the sheriff engaged in multiple disallowed expenditures from the 2023 Fee Account. This included:

- Eleven disbursements for personal food for her office totaling \$1,288.
- Six disbursements included credit card interest totaling \$161.
- Three disbursements for donations totaling \$250.
- Three disbursements included late fees totaling \$16.
- Two disbursements were for meals which included alcohol purchased totaling \$16.

The sheriff has failed to establish internal controls over the disbursement process. By not having proper oversight in the office, the sheriff had disbursements that were not properly supported, not paid within 30 days, and had disallowed expenditures totaling \$1,731 from the 2023 Fee Account.

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." Having proper controls in place over disbursements is a basic internal control necessary to ensure the accuracy and reliability of financial reports and would assist in preventing disallowed expenditures and expenditures lacking the proper supporting documentation.

In Funk v. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

OWSLEY COUNTY
TARA ROBERTS, SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2023
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Owsley County Sheriff's Office Did Not Have Proper Controls In Place Over Disbursements
(Continued)

We recommend the sheriff maintain appropriate supporting documentation and oversight over all disbursements to ensure payments are properly supported, paid timely, and are allowable. We further recommend the sheriff remit \$1,731 personally to the 2023 Fee Account for the disallowed expenditures incurred from the 2023 Fee Account.

Sheriff's Response: Disallowable expenses paid out will no longer be allowed in future transactions. The sheriff is now doing fee pooling and all disbursements are closely monitored and scrutinized by county officials. The disallowed expenditures were strictly for the office and not personally benefited by the sheriff alone. All future disbursements will be appropriate and properly documented as recommended by the auditor.

Auditor's Reply: Disallowed expenditures were not necessary, adequately documented, and were not beneficial to the public.