



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Bell County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Bell County Sheriff Mitch Williams. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and excess fees of the Bell County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

The Bell County Sheriff overspent the amount fixed by the fiscal court for his official expenses: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The sheriff's operating expenditures exceeded the maximum amount fixed by the Bell County Fiscal Court. The fiscal court had approved budgeted expenditures totaling \$9,600. The fiscal court passed a resolution on June 13, 2017, authorizing the sheriff's office to spend \$3,000 per month for allowable expenditures. The sheriff's actual disbursements for calendar year 2017 totaled \$19,086. The sheriff did not amend his original budget to include any additional amounts spent as a result of the resolution passed by the fiscal court.

The sheriff was unaware that he should amend his approved budget to include any additional expenditures. Also, the sheriff did not properly monitor his approved budget to actual amounts. As a result, the sheriff overspent the approved budget by \$9,486.

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.”

We recommend the sheriff ensure that official expenses are within the amount fixed by the fiscal court, monitor his budget, and if necessary submit budget amendments to the fiscal court for approval by year-end.

Sheriff's Response: This is a learning process for a new bookkeeper as she was unaware of the capability to amend budgets already set into place. This has been corrected for the 2018 fiscal year. A large portion of the overage on expenditures was a payment to the United States Postal Service. The Sheriff's office now uses a postage permit which saved the county over \$3,000 on postage. Although this was not budgeted for the 2017 fiscal year, it has since been corrected for the 2018 year.

The Bell County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, and reconciliations: Incompatible duties create a lack of segregation of duties over receipts, disbursements, and reconciliations. The bookkeeper can collect payments from customers, prepares deposits, prepares daily checkouts, posts to the receipts and disbursements ledgers, and prepares monthly and quarterly reports. The bookkeeper also reconciles bank records to the ledgers and reports, prepares and signs checks, and performs monthly bank reconciliations. The sheriff has implemented some compensating controls; however, they were not sufficient to compensate for the lack of segregation of duties.

The lack of segregation of duties occurs because the sheriff has failed to segregate incompatible duties. The sheriff stated he cannot hire additional employees to allow segregation of duties due to budget limitations.

This deficiency increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. As a result, the sheriff's fourth quarter financial report had numerous reclassifications and adjustments because receipts and disbursements were not posted correctly to ledgers.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, and recording receipts and disbursements, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff separate the duties over receipts, disbursements, and reconciliations. If this is not feasible due to limited staff, then strong oversight should be provided over these duties. These reviews should be properly documented by initialing daily checkout sheets, receipts and disbursements ledgers, and bank reconciliations.

Sheriff's Response: Upon advisement to separate the duties of receipts, disbursements and reconciliations, we have implemented that a designated person will place their signature on any checkout sheet to provide knowledge that they reviewed what receipts and money were being deposited that day. We have also purchased Quickbooks, a new accounting software. We will continue to correct this particular area.

The Bell County Sheriff did not prepare accurate receipts and disbursements ledgers: The sheriff uses Microsoft Excel for his receipts and disbursements ledgers. Due to incorrect formulas in the Excel workbook, some receipts were not included in the totals for the month. In addition, many receipts were not classified correctly on the receipts ledger. The disbursements ledger included the date of the check, payee, and amount; however, disbursements were not posted to an expense category.

The lack of sufficient training in the use of Excel software to prepare accurate receipts and disbursements ledgers resulted in the ledgers not being complete with all income and disbursements. Furthermore, lack of knowledge in the proper classification of receipts and disbursements resulted in numerous adjustments and reclassifications to the sheriff's fourth quarter financial report. In addition, lack of supervisory review allowed these undetected errors.

As a result, the auditor recommended the following adjustments and reclassifications:

- five adjustments to include income of \$2,321 that was not included on the fourth quarter financial report;
- thirty-one reclassifications to receipts for amounts that were in the wrong categories;
- two adjustments to include expenditures of \$63 and \$40 for serving papers not included on the fourth quarter report;
- one adjustment to include \$450 for postage not included on fourth quarter financial report; and
- three reclassifications to disbursements for amounts that were in the wrong category.

KRS 68.210 gives the state local finance officer the authority to require a uniform system of accounts. KRS 43.075(3) states, in part “[t]he Auditor shall...determine whether the fiscal court or county official is complying with the requirements of the uniform system of accounts adopted under KRS 68.210, whether there is accurate recording of receipts by source and expenditures by payee[.]”

We recommend the sheriff ensure the receipts and disbursement ledgers are accurate and reconcile to the bank account.

Sheriff's Response: We have purchased the QuickBooks accounting software which will in turn replace our Excel program all together. This has been corrected for future years.

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

