



Auditor of Public Accounts
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Harmon Releases Audit of Former Carroll County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of former Carroll County Sheriff Jamie Kinman. 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 former Carroll 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 former sheriff's office lacked segregation of duties related to controls over receipts, disbursements, and reconciliations. During our review of internal controls, we noted a lack of segregation of duties related to several significant financial reporting areas. This is a repeat finding and was included in the prior year audit report as Finding 2015-003. According to the former sheriff, he had limited options for establishing an adequate segregation of duties due to the entity's diversity of official operations, small size, and budget restrictions. The bookkeeper received cash from customers, prepared the daily checkout sheet, counted cash/checks, prepared

the deposit, took the deposit to the bank, prepared checks for payments, posted receipts and disbursements to the ledgers, and prepared the bank reconciliations.

When internal control procedures are performed by the same employee and no compensating controls are in place, the risk for material misstatement significantly increases due to undetected error or fraud. Proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If staffing does not allow for segregation of duties, strong management oversight should be implemented.

The former sheriff's office had compensating controls in place to offset these control weaknesses including: the other office staff person compared daily checkout sheets to the deposits, supporting documentation to checks written, and the bank reconciliation prepared by the bookkeeper. The review was documented by initials on the daily checkout sheet and checkbook register.

However, we noted that the former sheriff was not involved in day to day revenue collections or disbursements on a regular basis. We were informed the former sheriff inquired of deposits and verbally approved payments. Reviews and approvals should be evidenced by initials or signatures on supporting documents. We recommend the sheriff's office implement the following procedures to improve the sheriff's involvement in day to day revenue collections and disbursements on a more frequent basis:

- Recount and take the deposit to the bank, initialing the deposit ticket to document the performance of recounting the deposit.
- Perform random cash counts, initialing the daily checkout sheet to document the cash being counted.
- Review checks prepared for payment of significant purchases, initialing the invoice to document the review.
- Review daily deposits agree and are posted to the receipts ledger.
- Have a different person other than the person that performs bank reconciliations, review the bank reconciliations for accuracy. This review should be evidenced by signature or initials of the reviewer.

Former Sheriff's Bookkeeper's response: The former sheriff's bookkeeper did not provide a response.

The former sheriff's did not properly deposit or distribute seized funds. While testing the sheriff's drug forfeiture account, we noted the former sheriff did not comply with court orders related to forfeitures received. From June 2013 through October 2016, the former sheriff did not comply with court orders in five forfeiture cases requiring him to deposit seized funds to his drug forfeiture account. Those funds are to be divided so that 85 percent goes to the drug forfeiture account to be used for the office, and 15 percent is to be paid to the Prosecutors Advisory Council for deposit on behalf of the Commonwealth's Attorney.

This occurred because the former sheriff did not follow state laws regarding seized funds and how they are to be disbursed upon receiving court orders. According to documentation, the

former sheriff did not deposit \$1,456 to the drug forfeiture account. \$218 (15 percent) of those funds were supposed to have been paid to the Prosecutors Advisory Council for deposit on behalf of the Commonwealth's Attorney and \$1,238 (85 percent) should have stayed in the drug forfeiture account to be spent on direct law enforcement purposes.

According to KRS 218A.420(4)(a), “[e]ighty-five percent (85%) shall be paid to the law enforcement agency or agencies which seized the property, to be used for direct law enforcement purposes;” and (b), “[f]ifteen percent (15%) [of the amount forfeited] shall be paid to the . . . Prosecutors Advisory Council for deposit on behalf of the Commonwealth's attorney or county attorney who has participated in the forfeiture proceeding[.]”

We recommend the sheriff's office comply with KRS 218A.420(4) in the future with all court orders regarding seized funds and property.

Former Sheriff's Bookkeeper's response: The former sheriff's bookkeeper did not provide a response.

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](#).

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