



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Christian County Sheriff Tyler DeArmond. 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 statements present fairly the receipts and disbursements of the Christian County Sheriff and the receipts, disbursements, and fund balances of the Christian County Sheriff's operating fund and county fund in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statements did not follow this format. However, the sheriff's financial statements are 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 internal control over financial operations and reporting.

The audit contains the following comments:

The Christian County Sheriff's Office failed to implement adequate internal controls to ensure complete and accurate accounting records were maintained: There were no functioning internal controls in place over the work performed by the former bookkeeper. The sheriff failed to provide adequate oversight, allowing the former bookkeeper complete control over the accounting and reporting functions. The following deficiencies and errors were noted during the performance of the audit:

- The fourth quarter financial report was incomplete and inaccurate:
 - The amount of receipts reported in the summary reconciliation for the fee account did not agree to total receipts reported in the body of the fourth quarter financial report. The summary reconciliation was understated by \$4,808.
 - The summary page did not include all accounts maintained by the sheriff's office, i.e. drug, donation, and escrow accounts.
 - Federal grant receipts of \$6,908 were omitted from fourth quarter financial report.
 - The fourth quarter financial report was not signed by the sheriff.
- The receipts ledger was incomplete and inaccurate:
 - The receipts ledger was materially misstated when compared to the fourth quarter financial report. Receipts were understated by \$2,451,229.
 - The receipts ledger did not reconcile to bank records.
 - The receipts ledger did not foot or cross foot.
 - Year to date summary did not include the grant overtime or finger print categories.
 - Monthly totals did not agree to monthly ledgers.
- The former bookkeeper did not maintain a disbursement ledger for the fee account; therefore, disbursements of \$4,129,910 on the fourth quarter report were not properly supported.
- The sheriff's 75% operating fund financial activity did not reconcile to the EMARS reports processed by the state. Receipts and disbursements of the 75% operating fund were materially understated by \$1,624,155 and \$103,298, respectively. The former bookkeeper failed to report all of the fees collected during December 2019, which were remitted to the operating fund after year end.
- The ending balance of the 75% operating fund did not agree to EMARS' balance at December 31, 2019.
This balance was understated by \$20,478.
- A \$1,225,000 contribution received from the Christian County Fiscal Court in June 2019 was not deposited into the local fee account, but rather directly submitted to County Fees to be posted to the 75% operating account. Also, \$7,524 from the June pay-in voucher was not deposited into the local fee account, but was also submitted directly to County Fees for posting to the 75% operating account.

The Christian County Sheriff failed to implement a strong internal control system or provide proper oversight to ensure complete and accurate accounting records were maintained, and instead relied on a single person without adequate oversight. Additionally, the former bookkeeper lacked sufficient understanding of all accounting concepts and responsibilities. Due to the lack of oversight of the former bookkeeper's functions by the sheriff and the former bookkeeper's inability to perform her job duties, the deficiencies, non-compliances, and undetected errors noted above pertaining to required record-keeping were allowed to occur.

Strong internal controls over the reporting process are vital to ensure the sheriff's financial reports accurately reflect the financial activity of the sheriff, as well as, adherence to applicable laws and regulations.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum

accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. Additionally, the *Financial Operations in Counties with Population of 70,000 or More*, issued by the Finance and Administration Cabinet, Office of the Controller, Division of Local Government, County Fees Systems includes procedural instructions for reporting 75/25% activity. KRS 64.100 states, "[e]ach sheriff shall keep an accurate account of all fees collected by him from all sources."

We recommend the Christian County Sheriff strengthen oversight and internal controls in order to ensure complete and accurate accounting records are maintained and that no one individual has control over the accounting functions without establishing checks and balances to verify amounts recorded and reported are accurate.

County Sheriff's Response: With 2019 being the first year of my term, it proved to be both challenging and educational. The previous administration bookkeeper retired with the former Sheriff, leaving my administration with a lot of questions. Although we had cooperation and contacts outside state and county offices, we were often faced with not knowing what questions to ask. Half way through 2019 I discovered my bookkeeper was overwhelmed and under qualified to handle such a position. Fortunately, I was able to hire our current bookkeeper who has proven to be both capable and qualified to guide our office back to the correct path and keep us going in the right direction. My Office has now implemented a 3-step internal process to ensure accurate accounting records are maintained, we properly account for tax commissions, ensure that we properly remit fees to Christian County 75/25% Accounts, and ensure we have an internal control over disbursements. The process, which has already been implemented, includes myself, my bookkeeper, and my Chief Deputy. The 3 of us will continue to monitor, verify, oversee, and ensure that recommendations made in this audit report are followed to the best of our ability. We will continue to work closely with our Auditors and County Treasurer to ensure all areas of our office our held, and kept, to the highest standards.

The Christian County Sheriff's Office failed to properly account for tax commissions: The Christian County Sheriff's office reported \$906,814 in tax commissions for calendar year 2019. However, the sheriff failed to remit \$147,151 of tax commissions earned in October 2019 from the tax account. The sheriff's total commissions earned in October 2019 was \$352,255; however, only \$205,104 was deposited into the fee account. The finance officer stated that it appeared the commissions earned during the last week of October were not properly distributed to the fee account. Due to the tax commissions being understated for calendar year 2019, \$147,151 in funds were not available for the operation of the sheriff's office.

Good internal controls dictate adequate procedures be designed to prevent and detect errors in financial reporting in order to ensure all financial information is accurately reported.

We recommend the Christian County Sheriff implement control procedures to ensure commissions earned on tax collections are accurately remitted to the fee account in timely manner.

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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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