



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of Daviess County Sheriff Keith Cain. 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 Daviess County Sheriff and the receipts, disbursements, and fund balances of the Daviess 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 comment:

The sheriff's fourth quarter financial report was materially misstated: The sheriff's fourth quarter financial report was materially inaccurate when compared to the receipts and disbursements ledgers for calendar year 2018. The receipts and disbursements per the fourth quarter financial report were understated by \$2,147,789 and \$1,290,725, respectively. End of term receipts of \$2,147,789 were omitted from the fourth quarter financial report. Disbursements of \$1,531,483 for December 2017 were included, disbursements of \$674,419 for December 2018 were omitted, and lastly, end of term disbursements of \$2,147,789 were omitted.

The former chief financial officer had included disbursements from December 2017, since these were not paid until January 2018. He felt they were on a cash basis of accounting; therefore, not requiring this activity to be pulled back. Additionally, the current financial officer did not realize she needed to update the fourth quarter financial report to include all of the activity for December 2018 and the end of term activity.

The receipts and disbursements per the fourth quarter financial report were understated by \$2,147,789 and \$1,290,725, respectively. Inaccurate financial reporting allows opportunity for the sheriff to misrepresent his financial status to the fiscal court and other administrative bodies.

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* which requires accurate financial reporting as stated on the front page of the quarterly report. Additionally, adequate internal controls are essential to providing protection from asset misappropriation, and helping prevent inaccurate financial reporting.

We recommend the sheriff ensure that his fourth quarter financial report is accurate and that it agrees to his receipts and disbursements ledgers.

Sheriff's Response: New Financial Officer took the position on August 1, 2018. She was aware of the requirement for Quarterly Reports to be completed, but was unaware of the need for a Supplemental Quarterly Report to close out the term. As a result, income and expenditures unintentionally failed to be disclosed. Beginning with the closing Quarterly Report for 2019, the Financial Officer will include income and expenses incurred in December, and further file a Supplemental Quarterly Report at the end of the next term.

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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