



Auditor of Public Accounts  
Mike Harmon

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Contact: **Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

### **Harmon Releases Audit of Edmonson County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Edmonson County Sheriff Shane Doyle. 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 Edmonson 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 Edmonson County Sheriff's Office does not have adequate segregation of duties over receipts and reconciliations:** The sheriff's bookkeeper collects payments from customers and prepares daily checkout sheets and deposits. The bookkeeper is also responsible for posting transactions to the receipts ledger, reconciling the bank account, and preparing monthly and quarterly reports. The sheriff has implemented compensating controls, such as the preparer and reviewer initial the daily checkout sheets and deposits. Also, the sheriff reviews monthly bank reconciliations and signs the monthly and quarterly reports. However, these controls were deemed

insufficient. During daily checkout testing for the week of January 14 to January 18, 2019, we noted the following:

- The receipts of January 17 were combined with the receipts of January 18 in the same checkout sheet.
- The total collected on the daily checkout sheets included the cash collected from the tax account.
- On two daily checkouts sheets, tax account cash was reported instead of fee account cash. Moreover, the reviewer initials the daily checkouts sheets without detecting the errors.

The sheriff indicated that this condition is a result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

A lack of oversight could result in misappropriation of assets or inaccurate financial reporting to external agencies such as Department for Local Government (DLG), which could occur and go undetected. By not making daily deposits, the risk of misappropriation of cash, which is the asset most susceptible to possible theft is increased. Also, by including tax account cash into the fee account checkout sheet, the county official cannot guarantee that fee receipts are being accounted for properly.

Proper segregation of duties over various accounting functions such as preparing daily checkout sheets and deposits, and preparing reconciliations and reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Also, it is a good internal control policy to compare the daily receipts to the ledger in order to determine that revenues have been properly accounted for.

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 DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual, requires deposits to be made daily and intact into a federally insured banking institution. Good internal control dictates that the sheriff's office should account for fee account cash and tax account cash separately.

We recommend the sheriff's office implement the following:

- Segregate duties over receipts and reconciliations. If segregation of duties is not feasible due to lack of staff, the sheriff should strength the implementation of compensating controls over receipts and reconciliations to offset this deficiency.
- Make daily deposits to ensure compliance with DLG..
- Account for fee account cash and tax account cash separately, so the total collected matches the total fees collected on the daily checkout sheet and on the deposit ticket.

*County Sheriff's Response: As has been explained in previous years, budget constraints and lack of funding prevent our office from hiring enough office help to segregate the duties that are*

*placed upon us. We have implemented compensating controls to deal with any concerns and for six years, our office has had clean audits. Although we are human and will make errors from time to time, all money has been accounted for.*

**The Edmonson County Sheriff failed to properly oversee the activity of the official drug fund, which serves as his state asset forfeiture account:** This is a repeat finding and was included in the prior year audit report as Finding 2018-001. The sheriff had the following deficiencies related to his drug fund:

- A cash deposit of \$6,732 was made into the drug fund from unknown sources.
- Funds totaling \$1,850 from the sale of deputy fire arms were deposited into the drug fund.
- Unsupported payments of \$8,400 were made to a deputy.
- Fifteen percent from the sale of forfeited properties was not paid to the county attorney.
- A deposit of \$3,225 was made into the drug fund from the sale of 3 abandoned properties.
- A deposit of \$727 was made into the drug fund from the sale of various electronic and tools (42 items).

The sheriff made a cash deposit of \$6,732 into the drug account without any supporting documentation. No court orders were available to determine if the amounts deposited should have been placed into the drug account. Additionally, the sheriff made deposits into the drug fund totaling \$1,850 from selling six firearms to deputies. There was no documentation as to how the guns were originally obtained.

The sheriff made four payments of \$2,100, totaling \$8,400, from the drug account during calendar year 2019 to a deputy without any supporting documentation. These lump sum payments were to be used for operating a DARE program at the local schools. The sheriff's office originally received these funds from the local agency for substance abuse policy office. No supporting documentation, such as time worked, expense reimbursements for the program, or any other valuation of payment was included for any of the sheriff's disbursements to the deputy. None of the funds paid to the deputy were included on a W-2 or 1099.

The sheriff received \$6,900 from the sale of 3 forfeited properties. The orders called for the funds to be distributed as follows: 85% to the sheriff's office and 15% to the commonwealth attorney's office. There was no payment made to the commonwealth attorney's office.

The sheriff deposited \$3,225 into the drug fund from the sale of 3 abandoned properties without enlisting the county attorney to determine what should happen with the funds collected from the sale of the abandoned properties. Additionally, the sheriff deposited \$727 into the drug fund from the sale of various electronic and tools (42 items). There was no documentation as to how these items were obtained.

The sheriff failed to implement internal controls over drug fund activity and failed to implement guidance over seizure activity in accordance with applicable KRS's. Additionally the sheriff failed to keep adequate records over sources of funds that were being deposited into the sheriff's drug fund.

Cash deposited in the drug fund from unknown sources may be due to other entities. Since the sheriff was unable to provide documentation as to where the cash deposit came from, it could not be determined if the cash should have been deposited into the drug fund, an evidence fund, the sheriff's official fee account, escheated to the state, or returned to an original source. Those funds may not be eligible for use in the sheriff's drug fund. Additionally, the unsupported payments of \$8,400 from the drug fund are not allowable expenses and are due back to the sheriff's drug fund. Funds from the sale of guns may be due back to the sheriff's fee account or to the fiscal court depending on the original source of the guns.

The implementation of effective internal controls is instrumental to the successful oversight of the sheriff's official drug fund. Effective internal controls help protect the assets of the drug fund and prevent ineligible uses from occurring. KRS 218A.420 provides authoritative guidance on the proper procedures for cash seizures related to drug offenses. KRS Chapter 393A provides guidance for unclaimed property, when the sheriff is unable to determine the source of funds found in the sheriff's office. KRS 65.041 discusses the requirements for the disposition of firearms by a local government. KRS 218A.420(4) provides guidance on the distribution of the proceeds from the sale of forfeited property.

We recommend the sheriff research where the \$6,732 cash deposit came from and enlist the county attorney to determine what should happen with those funds. We also recommend the sheriff maintain required court orders or other supporting documentation for drug account deposits. Further, we recommend that the sheriff ensure procedures required per KRS 218A.420 are followed for all seized assets.

We recommend the sheriff require that funds from the sale of firearms to deputies are used in accordance with KRS 65.041. The source of the original purchase would dictate where those funds should be deposited and then used for the purchase of body armor meeting or exceeding National Institute of Justice standards, firearms, ammunition, or range facilities, or a combination thereof.

The sheriff should have remitted \$8,400 into a DARE account. We recommend DARE account activity be maintained separately from the sheriff's drug fund, and only used to support the DARE program. Additionally, the deputy who received these funds should have a corrected W-2 issued to him in order to properly report the payments made to him.

We recommend the sheriff make a payment to the commonwealth attorney's office in the amount of \$1,035 in order to be in compliance with Edmondson County Circuit Court orders

We recommend the sheriff enlist the county attorney to determine what should happen with the funds collected from the sale of the abandoned properties. Additionally, the sheriff should deposit \$727 into the fee account since no supporting documentation was found for the sale of the electronics and tools.

*County Sheriff's Response: Deposit of \$6,732: In a glaring error on my part, I made one single deposit of this dollar amount without properly documenting the origin of the funds, and it's a mistake I won't make again. All deposits are now individualized, and are accompanied by supporting documentation or court orders.*

*Funds of \$1,850 from sale of Dept. owned firearms: Our office was purchasing new firearms for issuance to our law enforcement staff. Because these weapons were being purchased from the Drug Fund, I (wrongfully) assumed that proceeds from the sale of retiring firearms could be used to offset that cost in the drug fund. This error won't occur again.*

*Unsupported payments of \$8,400 made to deputy: I have acquired the supporting documents from the school system that shows that services were rendered to the school for the reported payments, and I am actively working with the county treasurer to issue corrected W-2 forms and properly account for the payments made. All of the \$8,400 has a clear path from origin to final payment, and why the payments were made. I was told by the school system that they weren't allowed to pay the deputy directly, and that the payments must be made to another governmental agency. It was absolutely my mistake to assume that I could simply take the money from the school using the drug fund as a pass-through for the deputy's DARE instruction, however, nothing nefarious was at heart and no monies are unaccounted for. This won't happen again.*

*Fifteen percent of sale of forfeited properties weren't made to County (sic) Attorney: These payments will be issued to our Commonwealth Attorney upon information from the county treasurer indicating the amount required to be paid.*

*Deposit of \$3,225 into drug fund for sale of 3 abandoned properties and Deposit of \$727 from sale of various electronics: I will enlist the help of the county attorney to assist me in determining what should happen with the proceeds from the sale of abandoned properties. I have court orders showing that all of the electronics were forfeited to the sheriff's office, but no way to show a nexus between the orders and the actual items because those items weren't listed individually on the sale list. If the Fiscal court requires it, I will remit payment to them in the amount of \$727.*

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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