



Auditor of Public Accounts
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Harmon Releases Audit of Former Elliott County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of former Elliott County Sheriff Ronnie Stephens. 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 Elliott County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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 did not account for receipts properly: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The former sheriff's receipts were not batched and deposited daily. For the period tested of August 6 through August 8, receipts were not deposited until August 22, resulting in a delay of more than three business days before a day's receipts were posted to the bank. In addition, the former sheriff did not prepare a daily checkout sheet on a daily basis. The former sheriff did not have procedures in place to ensure that receipts were accounted for properly. Failure to batch and deposit receipts daily increases the likelihood of undetected misstatements or fraud. 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 *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual states, "daily deposits intact into a federally insured banking institution." We recommend the sheriff's office batch receipts and prepare a checkout sheet daily and make daily deposits per the uniform system of accounts.

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

The sheriff's office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2017-002. The sheriff's office lacks adequate segregation of duties. The former sheriff's bookkeeper collects payments from customers, records transactions in the ledgers, prepares deposits, and reconciles the bank account. According to the former sheriff, the sheriff's office has a limited number of employees that prevents adequate segregation of duties over most accounting functions of the office.

Inadequate segregation of duties allows for one person to have a significant role in processing and recording receipts and disbursements, which would increase the risk that undetected misappropriation of assets and inaccurate financial reporting will occur. Internal control duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Compensating controls such as comparing the daily checkout sheet to the receipts ledger and the bank deposit can be implemented to decrease the risk present in the absence of proper segregation of duties, but they don't eliminate the lack of adequate segregation of duties. We recommend the same person not perform multiple accounting functions, and if the duties cannot be segregated, then strong oversight over the employee's work should be provided and documented.

Former Sheriff's Response: The former sheriff 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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