



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Fleming County Sheriff Gary Kinder. 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 Fleming 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 sheriff's fourth quarter report did not accurately reflect total receipts and total disbursements: The sheriff's fourth quarter report, which serves as the sheriff's annual settlement, reflected discrepancies in total receipts and total disbursements for calendar year 2017, requiring material audit adjustments. Inaccurate financial records provide misleading information to the users of the information. Auditors compared the fourth quarter report, receipts ledger, and disbursements ledger to the bank statement receipts and disbursements and discovered the following:

- Excess fees per the fourth quarter report were \$73,212, but actual excess fees were only \$12,522 per the audited financial statement.
- Receipts per the fourth quarter report differed from the receipts ledger by \$123,862.
- Disbursements per the fourth quarter report differed from the disbursements ledger by \$184,552.

Controls were not in place to ensure that all receipts and disbursements were posted correctly to the sheriff's ledgers. When the sheriff's financial information is incorrect, the sheriff is unable to submit accurate year-end reports to the Department for Local Government (DLG), and is unable to present an accurate annual settlement and excess fees to the fiscal court.

KRS 134.192(11) states that, in counties with population of less than 70,000, the sheriff's annual settlement shall include: "[a] complete statement of all funds received by his or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of his or her commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes" and "[a] complete statement of all expenditures of his or her office[.]"

In order to present the most accurate information possible to regulatory agencies, the fiscal court and the public, we recommend the sheriff implement procedures for ensuring the accuracy of financial information. Ledgers should be posted accurately and the fourth quarter report should agree to ledgers and the bank balance. Receipts and disbursements ledgers should be reconciled to the bank receipts and disbursements on a monthly basis to help reduce reporting errors.

Sheriff's Response: We will work on correcting this in current year.

The sheriff's office lacks adequate segregation of duties over fee receipts and disbursements:

This is a repeat finding and was reported in the prior year audit report as Finding 2016-003. The sheriff's office lacks adequate segregation of duties and internal controls over fee receipts and disbursements. The bookkeeper, deputy clerk, and occasionally the sheriff, all collect fee receipts. The bookkeeper prepares a daily bank deposit, reconciles the daily receipts to the income/expense report, and posts items to the receipts ledger. The bookkeeper prepares checks for payment of expenses and posts checks to the disbursements ledger. The bookkeeper signs the majority of the checks, with the sheriff signing only occasionally. Only one signature is required on checks. The bookkeeper prepares the monthly bank reconciliation and the monthly and quarterly reports.

As previously described, the sheriff has not structured his office in a way that segregates duties and responsibilities. The sheriff has also not provided sufficient oversight of the financial reporting process.

A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG). Additionally, internal controls and proper segregation of duties protect employees and the sheriff in the normal course of performing their daily responsibilities.

Good internal controls dictate the same employee should not receive payments, prepare deposits, and post to the receipts ledger; the same employee should not prepare monthly reports, sign checks, and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers, and prepare bank reconciliations and monthly reports.

We recommend the sheriff's office implement internal controls and segregate duties as much as possible. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the sheriff could take on the responsibility of preparing or reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control. Furthermore, the sheriff could require dual signatures on all checks, with one signature being the sheriff's.

Sheriff's Response: Working on having others review all paperwork.

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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