



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of former Franklin County Sheriff Pat Melton. 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 Franklin 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's final fourth quarter report did not accurately reflect total receipts: The former Franklin County Sheriff's fourth quarter report, which serves as the sheriff's financial statement, reflected discrepancies in total receipts for calendar year 2017, requiring multiple audit adjustments. The following issues were noted:

- Receipts, totaling \$42,744, were double posted to the financial statement and to the receipts ledger.

- KLEFPF receipts, totaling \$121,661, were omitted from the financial statement and receipts ledger.

Controls were not in place to ensure that all receipts were posted correctly to the ledgers or quarterly reports. Misstatements could result in an increased risk of uncorrected errors, theft, loss or misappropriated assets.

KRS 134.192(11) says, “[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...”

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government’s *County Budget Preparation & State Local Finance Officer Policy Manual* requires the sheriff to prepare a quarterly report which includes all receipts and disbursements the sheriff collected and paid during the calendar year. KRS 134.160(3) states, in part, “All payments received by the sheriff shall be entered immediately by the sheriff on his or her books.”

We recommend the sheriff’s office implement controls to ensure that ledgers reflect actual amounts received and disbursed. Additionally, ensure correct amounts are shown on all financial statements presented to the public and to the Department for Local Government (DLG) and comply with KRS 68.210, 134.192(11), and 134.160(3).

Former Sheriff’s Response: I was proud to serve the citizens of Franklin County for over 8 years as their Sheriff. During my tenure no funds were missing and my team dedicated to make this county a safer place to live, work, and play. I expended funds and staff to address critical public safety issues. I respect the professional manner the APA conducted this audit. It is my understanding all financial issues found in the audit are reconciled with the other agencies and no further action is required. During my tenure my Office collected over \$200,000,000 in taxes as prescribed by law and every single penny was accounted for. The administrative issues identified in the audit were either corrected or in the process of being corrected. Thank you for the opportunity to respond.

The former sheriff overspent his approved budget: This is a repeat finding and was included in the prior year audit as Finding 2016-006. The former Franklin County Sheriff overspent the amount fixed by fiscal court for his official expenses. For calendar year 2017, the former sheriff’s operating expenditures exceeded the maximum amount fixed by the Franklin County Fiscal Court by \$227,443.

This condition is a result of inaccurate financial records and a lack of management oversight. The former sheriff did not properly monitor his budget to actual amounts. Failure to monitor the budget shows a lack of fiscal responsibility and places public funds at risk.

KRS 64.530(3) states, “[t]he fiscal court may also fix the reasonable maximum amount that the officer may expend each year for expenses of his office.” KRS 68.210 states, “[t]he

administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials.” The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15th of each year.

We recommend the sheriff's office not make disbursements that exceed the approved budget. We further recommend the sheriff monitor the budget throughout the year and request budget amendments sufficient to cover actual expenses, if necessary, before year-end.

Former Sheriff's Response: See former sheriff's response to Finding 1.

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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