



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Gallatin- County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Gallatin County Sheriff Josh Neale. 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 Gallatin 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 non-compliance 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 office lacks adequate segregation of duties over receipts, disbursements and bank reconciliations. The sheriff's bookkeeper collects receipts, posts receipts to the ledger, takes deposits to the bank, prepares and signs checks, posts disbursements to the ledger, and completes the bank reconciliations, which results in a lack of segregation of duties. Due to the sheriff's lack of oversight over controls, no independent reviews are performed. The sheriff reviews invoices and initials them for the bookkeeper to prepare checks, but he does not compare the invoices to the checks before he signs them, resulting in an ineffective review or approval of

disbursements. 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 segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations and comparing financial reports to ledgers. If this is not feasible due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure. Reviews should be evidenced with initials on the daily collection reports, deposit tickets, ledgers, and bank reconciliations.

Sheriff's response: None.

The sheriff ran a charitable account through his office that did not serve a public purpose associated with a regular function of the sheriff's office. The sheriff deposits and expends donations for the Shop With A Cop program administered through the donations account managed in his office. The Shop With A Cop program is popular throughout the Commonwealth. Local law enforcement agencies normally administer it.

Per KRS 61.310, sheriffs may accept donations to be used for the public purposes of the office. This program does not further a public purpose of the sheriff's office. The sheriff may participate in the Shop With A Cop program on personal time, and the program may be operated externally and separate from the sheriff's office by a private or not-for-profit entity. The sheriff should not run charitable accounts through his office that do not serve a public purpose associated with a regular function of the sheriff's office.

Sheriff's response: None.

The sheriff overspent his approved budget. The sheriff's operating budget was overspent by \$25,424 due to an oversight that the sheriff and bookkeeper did not notice. This resulted in excess fees to the fiscal court being lower than budgeted. The State Local Finance Officer requires the fiscal court to approve a calendar year budget for each fee office by January 15 of each year as a component of the county's budget preparation process.

KRS 68.210 states that the 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. Good internal controls dictate that comparisons of disbursements to budgeted totals should be done before disbursements are made to ensure

budgets are not overspent. We recommend the sheriff ensure disbursements are compared to the approved budget amount, and in the future if disbursements are going to be over the budgeted amount, then a budget amendment should be submitted to the fiscal court for approval.

Sheriff's response: None.

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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