



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of Grayson County Sheriff Norman Chaffins. 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 Grayson 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 quarterly financial report was materially incorrect: The quarterly financial report for calendar year 2018 was materially misstated. A combination of receivables not booked, liabilities not booked, and numerous bookkeeping errors resulted in adjustments of \$162,764 to receipts and \$89,975 to disbursements.

There was no oversight by the sheriff to ensure accurate financial statement reporting performed by the bookkeeper. Internal controls failed to catch these omissions on the quarterly financial report, resulting in receipts of \$162,764 and \$89,975 in disbursements being omitted.

Good internal controls promote good business practices providing reasonable assurance that financial records and reports are accurate. The lack of effective internal controls increases the risk that errors and fraud are detected late or possibly remain undetected. Additionally, KRS 64.100 states, “[e]ach sheriff shall keep an accurate account of all fees collected by him from all sources.”

We recommend the Grayson County Sheriff’s Office strengthen internal controls in order to ensure accurate financial reporting.

Sheriff’s Response: This was an error that I did not discover. I will continue to look for ways to strengthen our internal controls in addition to taking the recommendations of the auditor’s office.

The Grayson County Sheriff had \$80 of unallowable disbursements: In 2018, the sheriff’s fee account was overdrawn on multiple occasions, which resulted in the bank charging \$30 in overdraft fees. Also, the sheriff purchased a \$50 food gift card with the office’s credit card.

Due to the way the sheriff’s office receives his funding and not receiving enough state advancement he did not have sufficient funds in his fee account to cover expenses for these months. The sheriff said he will occasionally purchase gift cards from his personal account to give to employees as a reward for good work. The deficiency and noncompliance over disbursements and credit cards occurred because of the sheriff’s lack of internal controls and oversight.

Paying for overdraft fees and gift cards which are not necessary or beneficial to the public reduces the amount of operating funds for the sheriff’s office, or reduces the amount of excess fees paid to the fiscal court, or both. In *Funk v. Milliken*, 317 S.W.2d 499 (Ky. 1958), Kentucky’s highest court ruled that county fee officials’ expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses.

We recommend the sheriff monitor his fee bank account more closely and ensure there are sufficient funds to cover disbursements. In addition, we recommend the Grayson County Sheriff’s Office expend funds for official purposes and that these expenditures be necessary for the operation of the office, adequately documented, reasonable in amount, beneficial to the public, and not personal in nature. In addition, we recommend the sheriff pay back the fee account \$50 for the purchase of the gift card and \$30 for the fee account overdraft fee.

Sheriff’s Response: I will continue to monitor our bank account very closely and ensure that all expenditures are essentially vital to the financial operation of this office.

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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