



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Green County Sheriff Robby Beard. 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 Green 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 Green County Sheriff's fourth quarter report was inaccurate: The Green County Sheriff's fourth quarter report was not accurate. Receipts and disbursements were not categorized properly and all receipts were not included. The following deficiencies were noted:

- Reclassifications were necessary to correct the receipts on the fourth quarter report totaling \$114,179. Payments from the fiscal court of \$94,454 were included in miscellaneous, add-on

fees of \$13,829 were included in commission on taxes collected, payments from the state of \$5,584 were misclassified, and payments from circuit court clerk of \$312 were misclassified.

- Reclassifications were necessary to correct the disbursements on the fourth quarter report totaling \$92,494. Employee withholdings of \$67,330 were recorded as employee benefits instead being included with salaries. Employer's share social security of \$22,495 and employer's share retirement – Kentucky Law Enforcement Foundation Program Fund (KLEFPF) of \$2,669 were also recorded as employee benefits.
- Receipts were not included on fourth quarter report totaling \$51,326. Payments from the fiscal court for reimbursement under the CARES Act of \$50,056, payment from the state for KLEFPF in December 2020 of \$1,258, and interest earned of \$12 in December 2020 were not recorded.

The reclassifications and errors resulted from a lack of oversight over the financial recording process and preparation of the fourth quarter report. Although the fourth quarter report was signed by the sheriff, it was inaccurate. Also, no documented review of comparing the fourth quarter report to the receipts and disbursements ledgers was noted. The lack of oversight could result in the undetected misappropriation of assets or inaccurate financial reporting to external agencies such as Department for Local Government (DLG) and the fiscal court.

Good internal controls dictate that oversight over all aspects of the financial reporting process be implemented to ensure accuracy. Strong internal controls over financial reporting are vital in ensuring the financial reports of the sheriff's office accurately reflect the financial activity of the sheriff's office. These controls should include an individual independent of the accounting function reviewing the financial reports and comparing amounts reported to the amounts on the ledgers.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the DLG by the 30th day following the close of each quarter. The manual provides the required format for the quarterly report including recommended categories for receipts and disbursements.

We recommend the sheriff's office implement stronger internal controls over the financial reporting process to ensure amounts reported on the quarterly reports are accurate. Internal controls such as a thorough review of quarterly reports by someone independent of the accounting function can help detect misstatements and errors that have occurred. This review should include tracing transactions posted to the receipts and disbursements ledgers to actual bank statement transactions. It should also include agreeing book balances between the quarterly reports and bank reconciliations, agreeing bank balances per the bank statements to the quarterly reports and bank reconciliations, checking for mathematical accuracy, and verification of bank reconciliation amounts. Ledgers should also be reviewed to verify transactions have been recorded to the correct account codes. Once the ledgers and reconciliations are deemed accurate, the reviewer should document that fact and submit the review to the sheriff for approval. By implementing these procedures, the sheriff can strengthen its internal control system, and help ensure accurate financial reporting.

County Sheriff's Response: The official did not provide a response.

The Green County Sheriff's Office does not have adequate segregation of duties over financial reporting, disbursements, and payroll: The sheriff's bookkeepers collect receipts, prepare deposits, prepare daily checkout sheets, prepare and sign checks, and prepare payroll. In addition, they post to the receipts and disbursements ledgers, prepare quarterly reports and monthly reports, and reconcile the monthly bank statements. No reviews of the quarterly reports, receipts ledger, and disbursements ledger were documented by the other bookkeeper or the sheriff. The sheriff has instituted review processes over disbursements and payroll such as documented reviews of invoices and time sheets by the other bookkeeper or the sheriff; however, reviews of invoices and time sheets of court security are not regularly documented by the other bookkeeper or the sheriff.

The lack of segregation of duties occurred because the sheriff failed to segregate incompatible duties. The sheriff stated he cannot hire additional employees to allow segregation of duties due to budget limitations. A lack of oversight could result in undetected misappropriation of assets or inaccurate financial reporting to external agencies such as the Department for Local Government (DLG).

Adequate segregation of duties over financial reporting, disbursements, and payroll would prevent the same person from having a significant role in multiple accounting functions, such as preparing deposits, preparing payroll, preparing and signing checks, posting to the receipts and disbursements ledgers, preparing monthly and quarterly reports, and preparing monthly bank reconciliations. The sheriff can implement compensating controls when duties cannot be segregated.

We recommend the sheriff's office segregate duties over financial reporting, disbursements, and payroll. If segregation of duties is not feasible due to lack of staff, then compensating controls could be implemented which includes an employee not currently performing any of those functions providing oversight over these areas. Any oversight should be documented.

County Sheriff's Response: Lack of help.

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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