



Auditor of Public Accounts
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Harmon Releases Audit of Hancock County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Hancock County Sheriff Ralph Dale Bozarth. 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 Hancock 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 does not make daily deposits. The Hancock County Sheriff's Office does not make daily deposits. Because amounts collected on a daily basis are often very low, deposits are held and made weekly. Abnormal delays in deposits create an opportunity for monies to be lost or stolen. Failing to make daily deposits also results in the sheriff being noncompliant with state law. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* requires daily deposits. Additionally, good internal controls dictate that deposits be made and deposited into a federally

insured banking institution daily. We recommend the sheriff ensure that all deposits are made and deposited into a federally insured banking institution timely.

Sheriff's response: No response.

The sheriff's office lacks adequate segregation of duties over receipts, disbursements, and bank reconciliations. The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger and prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities.

Good internal controls dictate the sheriff separate key accounting functions in order to limit opportunities for misappropriation. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

This condition is due to the sheriff not segregating duties or implementing compensating controls. 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. We recommend the sheriff implement the following compensating controls.

The sheriff or another employee who does not have access to bookkeeping records, cash receipts, cash disbursements, bank records or statements should periodically:

- Examine the daily checkout sheet and agree to the deposit ticket, cash receipts ledger and bank statement. Documentation may be evidenced by the reviewer initialing the aforementioned records.
- Compare the receipts and disbursements ledger to the monthly and quarterly reports and document comparisons.
- Review all checks written and compare to invoices, evidencing approval of invoice and checks by initialing documents.
- Monthly bank reconciliations should be reviewed and the review should be documented.
- Perform occasional surprise cash counts.

Sheriff's response: No response.

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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