



Auditor of Public Accounts
Mike Harmon

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Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Lincoln County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Lincoln County Sheriff Curt Folger. 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 Lincoln 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 internal control over financial operations and reporting.

The audit contains the following comment:

The sheriff's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations: This is a repeat finding that was included in the prior year audit report as Finding 2015-001. Our review of internal control procedures indicates the sheriff's bookkeeper opens mail, collects payments from customers, prepares deposits, writes and signs checks, posts transactions to the receipts and disbursements ledgers, prepare monthly and quarterly reports, and prepares account reconciliations. The sheriff's review of these activities is not adequately documented. According to the sheriff, the sheriff's office has a limited number of employees that prevents the

segregation of duties over most accounting functions of the office. The bookkeeper's work is reviewed by the sheriff, however the review is not adequately documented.

The lack of adequate segregation of duties or documentation of strong oversight increases the risk of undetected errors. 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. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports and reconciliations, 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.

We recommend the sheriff separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. However, if an adequate segregation of duties is not feasible due to a limited budget, compensating controls should be implemented and documented by the individual performing the procedure. We recommend the sheriff document strong oversight over all aspects on internal control procedures by reviewing and initialing daily deposit records, reviewing and initialing monthly reports and reconciliations, requiring dual signatures on checks (with one being the sheriff's), and reviewing and initialing all invoices upon payment.

Sheriff's Response: We will continue to have compensating controls.

Auditor's Reply: If a proper segregation of duties cannot be implemented, then effective, documented compensating controls should be put in place and enforced.

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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