



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 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 the internal control over financial operations and reporting.

The audit contains the following comments:

The Lincoln County 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 2016-001. The sheriff's internal control procedures indicate the bookkeeper opens mail, collects payments from customers, prepares deposits, writes and signs checks, posts transactions to the receipts and disbursements ledgers, prepares 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 (DLG).

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: Try to segregate duties.

The Lincoln County Sheriff did not present an annual settlement and did not pay excess fees to the fiscal court for calendar year 2017: The sheriff had an ending balance in his 2017 fee account of \$13,010. The Lincoln County Sheriff failed to submit both the annual settlement and excess fees to the fiscal court.

The failure to present an annual settlement to the fiscal court and submit payment of excess fees is a noncompliance with the requirements of KRS 134.192. As a result, the sheriff shall pay liabilities of \$100 to his 2018 fee account for 2018 child support summons erroneously deposited to his 2017 fee account, leaving a balance of \$12,910 in excess fees due to the fiscal court.

KRS 134.192(11) states, "[i]n counties containing a population of less than seventy thousand (70,000), the sheriff shall file annually with his or her settlement: (a) A complete statement of all funds received by his or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of his or her commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes; and (b) A complete statement of all expenditures of his or her office, including his or her salary, compensation of deputies and assistants, and reasonable expenses." The sheriff is required to present the settlement to the fiscal court no later than September 1 each year.

KRS 134.192(12) states, in part, “[a]t the time he or she files the statements required by subsection (11) of this section, the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants.”

We recommend the Lincoln County Sheriff present a complete annual settlement statement of receipts and disbursements and pay excess fees to fiscal court by September 1 each year as required by KRS 134.192. We also recommend the sheriff pay the outstanding liability of \$100 to his 2018 fee account and remit the balance of \$12,910 left in his 2017 fee account to the fiscal court as excess fees.

Sheriff's Response: Will work submitting annual settlement.

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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