



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 Madison County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Madison County Sheriff Mike Coyle. 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 statements present fairly the receipts and disbursements of the Madison County Sheriff and the receipts, disbursements, and fund balances of the Madison County Sheriff's operating fund and county fund in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statements did not follow this format. However, the sheriff's financial statements are 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 comments:

The Madison County Sheriff does not have adequate segregation of duties for receipts, disbursements, and reconciliations: This is a repeat finding and was reported in the prior year audit as Finding 2016-001. The sheriff's bookkeeper is responsible for collecting receipts, preparing deposits, preparing daily checkout sheets, posting to ledgers, and performing bank reconciliations. The sheriff or another employee did not document oversight of bank reconciliations. The sheriff's bookkeeper is also responsible for preparing purchase orders, preparing checks, and signing checks.

This lack of segregation of duties is a result of a limited budget, which restricts the number of employees the sheriff can hire and delegate responsibilities to. This deficiency increases the risk of misappropriation of assets, errors, 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 preparing deposits, preparing daily checkout sheets, and issuing cash receipts is essential for providing protection from asset misappropriation and inaccurate financial reporting. Good internal controls further dictate that duties of preparing purchase orders, preparing checks, signing checks, posting to ledgers, and reconciliations of ledgers to bank accounts be segregated. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff segregate duties over receipts, bank reconciliations, and disbursements. If segregation of duties is not feasible due to lack of staff, the sheriff could implement compensating controls to help mitigate any weakness. The sheriff could:

- Require an employee other than the preparer to reconcile the daily deposits to the daily checkout sheets,
- Review the monthly bank reconciliations and document his review by initialing,
- Ensure an employee who did not prepare the deposit take the deposit to the bank, and
- Examine proper supporting documentation for checks prepared by another employee and document his review by initialing.

Sheriff's Response: Receipts, disbursements, and reconciliations have now been distributed between six employees to check.

The Madison County Sheriff expended funds for unallowable items: The sheriff expended fee account funds for items not necessary to the function of the sheriff's office. The sheriff's office made three disbursements, totaling \$264, for flowers and paid \$35 for fuel that did not have any supporting documentation.

Controls were not in place to ensure funds were spent only on allowable items and that all purchases were adequately supported. Expending funds on unallowable items result in fewer funds to spend on allowable items.

In the case of Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule 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 ensure all funds spent from the fee account are for allowable expenditures for direct law enforcement purposes and properly supported prior to payment. Furthermore, we recommend the sheriff reimburse the fee account for the total of \$299.

Sheriff's Response: This issue was corrected in 2018.

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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