



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

**Contact: Michael Goins**  
[Michael.Goins@ky.gov](mailto: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 2018 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.

Finding 1 of the audit report will be referred to the Finance and Administration Cabinet and the Madison County Attorney.

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's 75% operating fund had a deficit balance at the end of term:** The Madison County Sheriff's 75% operating fund had a deficit balance of \$1,194,494 at the end of the term ending December 31, 2018. The deficit balance required the Finance and Administration Cabinet to issue a no-interest loan to Madison County using the funds of the

Commonwealth. The sheriff did not monitor his budget to ensure that expenditures did not exceed receipts for the term. The sheriff may not have understood that he was responsible for monitoring the 75% operating fund since the funds were administered by Kentucky Finance and Administration Cabinet. Funds totaling \$1,194,494 are due to the Finance and Administration Cabinet in order to cover the deficit. Repayment of deficits for counties with populations over 70,000 only occurs at the end of the term, therefore the Commonwealth of Kentucky is impacted by the no-interest loan.

While KRS 64.345(4) states, “[i]f seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term.” Also, good internal controls dictate the sheriff monitor the financial activities of his office.

We recommend the sheriff monitor his 75% operating fund receipts and disbursements to ensure that no deficit occurs. We further recommend the sheriff resolve this deficit. This issue will be referred to the Finance and Administration Cabinet and the Madison County Attorney because it is the end of a term.

*Sheriff's Response: This office will always have a deficit balance due to the lack of receipts collected.*

**The Madison County Sheriff expended funds for unallowable items:** This is a repeat finding and was included in the prior year audit report as Finding 2017-002. The sheriff expended fee account funds for items not necessary to the function of the sheriff's office. The sheriff's office paid \$145 in late fees and finance charges, \$78 in over limit fees, and \$262 for three unsupported credit card charges.

Controls were not in place to ensure timely payment to vendors to avoid late fees being assessed on the sheriff's account. 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 funds spent from the fee account are for allowable expenditures in accordance with Funk v. Milliken. Further, we recommend that the sheriff ensure prompt payment to vendors to avoid late fees. Finally, we recommend the sheriff reimburse the fiscal court for the total \$485 since the term has been closed out.

*Sheriff's Response: Already implemented.*

**The Madison County Sheriff does not have adequate segregation of duties for disbursements and reconciliations:** This is a repeat finding and was included in the prior year audit report as Finding 2017-001. 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.

The sheriff indicated the 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 of Local Government (DLG).

The segregation of duties over various accounting functions such as preparing purchase orders, preparing checks, signing checks, posting to ledgers, and reconciliations of ledgers to bank accounts is essential for providing protection from inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff segregate duties over 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:

- 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: Already implemented.*

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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