



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Madison County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 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 comment:

The Madison County Sheriff's fourth quarter report contained material inaccuracies: The sheriff's fourth quarter report, which serves as the sheriff's financial statement, reflected discrepancies in receipts and disbursements for calendar year 2019, requiring multiple audit adjustments. The following issues were noted:

- The report showed \$113,260 in prior year accounts receivables to be deducted that were not included in the first quarter. This led to an understatement of receipts by \$113,260.
- The accounts receivable total did not contain \$4,836 in receipts for 2019 collected in 2020.
- The disbursements side did not reflect all funds turned over to the state for the 75%/25% account. An audit adjustment of \$1,060,520 had to be done to show the accounts receivable collected and disbursed in January 2020 for December 2019

Controls were not in place to ensure that all receipts were posted correctly to the ledgers or quarterly reports. Misstatements could result in an increased risk of uncorrected errors, theft, loss or misappropriated assets.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation & State Local Finance Officer Policy Manual* requires the sheriff to prepare a quarterly report which includes all receipts and disbursements the sheriff collected and paid during the calendar year. KRS 134.160(3) states in part, "[a]ll payments received by the sheriff shall be entered immediately by the sheriff on his or her books."

We recommend the sheriff's office implement controls to ensure that ledgers reflect actual amounts received and disbursed. Additionally, ensure correct amounts are shown on all financial statements presented to the public and to DLG and comply with KRS 68.210 and 134.160(3).

Sheriff's Response: In regards to the 4th quarter and year ending report recommendations, I will be preparing 2 January monthly reports. One will be for 2021 and the other will be for 2020 so that the December payments received in January can be reported on the January 2020 4th quarter report. This should help with the reconciliation of receipts and disbursements. This will start with the 2020 4th quarter report.

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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