



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Martin County Sheriff John Kirk. 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 Martin 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 sheriff's office lacks adequate segregation of duties: The sheriff lacks adequate segregation of duties over receipts and disbursements. These control deficiencies are present because one employee's duties include the preparing and reviewing of receipts and disbursements ledgers, monthly reconciliations, and quarterly reports.

According to the sheriff, due to the entity's diversity of official operations, small size, and budget restrictions, the sheriff has limited options for establishing an adequate segregation of duties.

The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as Department for Local Government.

A proper segregation of duties over these tasks or the implementation of compensating controls, when limited by the number of staff, is essential for providing protection against the misappropriation of assets and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff design and implement internal control procedures to ensure adequate segregation of duties.

Sheriff's Response: Due to a limited budget, we are unable to completely separate duties. We use compensating controls whenever possible. A different person posts to the ledger than the person making the deposit. This same person also reconciles every bank account monthly and those reconciliations are review and approved by the sheriff. We will continue to review out processes and separate job functions whenever possible.

The sheriff's fourth quarter financial report was materially misstated: The sheriff's fourth quarter financial report did not reflect all financial activity for calendar year 2017. Receipts and disbursements totaling \$25,002 were not posted to the ledger. The bookkeeper did not post receipts and disbursements for the month of November to the quarterly financial report.

The sheriff did not ensure that he or his staff prepared correct quarterly reports. As a result, the sheriff did not provide accurate financial information to the fiscal court and the Department for Local Government (DLG). A materially misstated fourth quarter financial report 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 uniform system of accounts as described in the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*, requires the county clerk to maintain accurate receipts and disbursements ledgers, and prepare a fourth quarterly report which includes all receipts collected and disbursements paid during the calendar year.

In order to present the most accurate information possible to regulatory agencies, fiscal court and the public, we recommend the sheriff implement procedures to ensure the accuracy of financial information. Ledgers should be posted accurately and the fourth quarter report should agree to ledgers and the bank balance. Receipts and disbursements ledgers should be reconciled to the bank receipts and disbursements on a monthly basis. This would reduce reporting errors.

Sheriff's Response: A formula error in the Excel spreadsheet caused November's amounts to not be included in totals on the quarterly report. All money collected was distributed timely and accurately. We have purchased new software and it is not being utilized instead of Excel.

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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