



Auditor of Public Accounts  
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**Harmon Releases Audit of Former Menifee County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2018 financial statement of former Menifee County Sheriff Toby Wells. 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 former Menifee County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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 former sheriff's office did not have adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The former sheriff's office did not have adequate segregation of duties. The former sheriff's bookkeeper collected payments from customers, recorded transactions in the ledgers, prepared deposits, processed disbursements, and reconciled bank accounts.

According to the former sheriff, this was caused by a limited budget which restricts the number of employees the sheriff could hire and delegate duties. Inadequate segregation of duties allows for

one person to have a significant role in processing and recording receipts and disbursements, which increases the risk of undetected misappropriation of assets and inaccurate financial reporting.

Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Further, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, 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. If this is not feasible due to budgetary constraints, cross checking procedures could be implemented and documented by the individual performing the procedure.

We recommend the same person not perform multiple accounting functions and, if the duties cannot be segregated, then strong oversight over the employee's work should be implemented and documented.

*Former Sheriff's Response: The office will try to segregate duties as much as possible with the current staff. We have limited budget and a low number of employees. The sheriff will review and sign or initial paperwork daily.*

**The former sheriff overspent his budget for calendar year 2018:** The former sheriff's budget was approved by the fiscal court with a total of \$508,171 approved for disbursements. In addition, the former sheriff presented his budget to the fiscal court on February 13, 2018. The former sheriff's actual disbursements totaled \$575,841, which exceeds the approved amount by \$67,670. The former sheriff did not adequately monitor his budget to ensure expenditures were within authorized limits. The former sheriff's budget was overspent by \$67,670.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual states, "The State Local Finance Officer requires that the fiscal court approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15 of each year."

Fee officials should monitor their budget and request budget amendments from the fiscal court if they anticipate their receipts and disbursements will exceed the budget estimates.

We recommend the sheriff's office monitor the budget to ensure all disbursements are within approved amounts or request budget amendments from the fiscal court if necessary and that the budget is presented timely.

*Former Sheriff's Response: The office will monitor the budget more adequately and make the appropriate changes as necessary throughout the year. The office will make appropriate budget amendments to ensure that the budget stays within its approved amounts.*

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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