



Auditor of Public Accounts
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Harmon Releases Audit of Former Trimble County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of former Trimble County Sheriff Tim Coons. 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 Trimble 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 former sheriff's office did not make deposits daily: The former sheriff failed to make deposits daily for the fee account, but made them approximately once per week or when there was \$500 or more collected. The former sheriff issued receipt tickets for cash collected, batched receipts on a daily basis, and locked cash securely in the office until the deposit was made. The former sheriff did not collect a significant amount of receipts for the fee account on a daily basis and did not have a control procedure in place to make fee account deposits daily.

This results in a noncompliance with state law. KRS 68.210 gives the State Local Finance Officer the authorization to develop rules for financial reporting, which the Department for Local Government (DLG) has set out in the *County Budget Preparation and State Local Finance Officer Policy Manual*. According to DLG's manual, local officials should make "[d]aily deposits intact into a federally insured banking institution." We recommend the sheriff's office ensure that deposits are made daily to comply with state law.

Sheriff's Response: The sheriff's office did not provide a response.

The former sheriff's office had a deficit of \$14,491 for calendar year 2016: The former sheriff had a deficit of \$14,491 in his official 2016 fee account. The deficit was due to the former sheriff's office not being able to reimburse the fiscal court for the full amount owed for payroll expenses for calendar year 2016. The fiscal court paid the former sheriff's payroll directly from the payroll revolving account and billed the former sheriff's office at the year-end the full amount due for payroll expenses. By not submitting biweekly payroll payments to fiscal court, the sheriff's office failed to monitor allowable operating disbursements (payroll expenses) that resulted in expending more on allowable operating disbursements than income earned.

Funds were not available to settle all payables owed by the former sheriff to the fiscal court for payroll expenses. Good internal controls dictate the sheriff's office should have monitored operating disbursements to ensure they did not exceed available revenues or have a deficit in the official fee account. We recommend the sheriff's office consult with the fiscal court and county attorney to determine how to eliminate this deficit. We also recommend the sheriff's office submit biweekly payroll payments to the county treasurer instead of reimbursing payroll at year-end.

Sheriff's Response: The sheriff's office did not provide a response.

County Judge/Executive's Response: Will work with sheriff's office in the future to correct this issue.

The former sheriff's office lacked adequate segregation of duties over accounting functions: A lack of adequate segregation of duties existed over all accounting functions. During our review of internal controls, we noted the former sheriff's bookkeeper collected payments from customers, prepared deposits, wrote checks, posted transactions to the receipts and disbursements ledgers, and prepared monthly and quarterly reports. The former sheriff or another employee did not document oversight of any of these activities. The sheriff's office has not implemented segregation of duties as part of the internal control structure.

A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government. The segregation of duties over various accounting functions such as opening the 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.

We recommend the sheriff's office separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, strong compensating control procedures should be implemented and documented by the individual performing the procedure. Some examples of compensating control procedures could include the sheriff or another employee, not involved in preparing the bank reconciliation, review the reconciliation and initial/sign off on it. The deposit could be prepared by one employee and reviewed and initialed by the sheriff or another employee. The sheriff, or another employee, could review and initial the monthly and quarterly reports after comparing them to the receipts and disbursements ledgers.

Sheriff's Response: The sheriff's office did not provide a response.

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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