



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Trimble County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the March 8 – December 31, 2017 financial statement of Trimble County Sheriff Charlie Kelton. 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 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 sheriff does not make deposits daily: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The sheriff does not make deposits daily for the fee account, but makes them approximately once per week or when there is \$500 or more collected. The sheriff issues receipt tickets for cash collected, batches receipts on a daily basis, and locks cash securely in the office until a deposit is made. The sheriff does not collect a significant amount of receipts for the fee account on a daily basis and does 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*. Per DLG's manual, deposits are to be made intact and on a daily basis. We recommend the sheriff ensure that deposits are made daily to comply with state law.

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

The sheriff's office lacks adequate segregation of duties over accounting functions: This is a repeat finding and was included in the prior year audit report as Finding 2016-002. A lack of adequate segregation of duties exists over all accounting functions. During our review of internal controls, we noted the sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities. The sheriff's office did not implement segregation of duties as part of the internal control structure. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG).

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.

The sheriff's office should 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 that does not prepare the bank reconciliation to 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 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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