



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Calloway County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Calloway County Sheriff Sam Steger, Jr. 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 Calloway 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 non-compliance 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 Calloway County Sheriff did not have strong internal controls over financial reporting in order for the quarterly report to be materially accurate. The Calloway County Sheriff's quarterly financial report for calendar year 2015 was materially misstated and required multiple audit adjustments. These adjustments were a result of multiple transactions being classified on the receipts and disbursements ledger as miscellaneous.

Strong internal controls over the recording of receipts and disbursements are essential to ensure that receipts and disbursements are properly maintained. The sheriff is responsible for the design and

implementation of policies and procedures that will ensure receipts and disbursements are recorded properly and that financial reports are stated accurately.

We recommend the sheriff strengthen internal control procedures over the recording of receipts and disbursements and financial reporting. Modifying the categories on the daily checkout sheets to mirror the categories listed on the quarterly financial statement will help ensure transactions are properly classified.

Sheriff's response: The sheriff did not respond.

The Calloway County Sheriff's Office lacks adequate segregation of duties. Due to a limited number of staff, the sheriff's bookkeeper is required to perform multiple tasks such as the collection of cash from customers, the bookkeeping function, monthly bank reconciliations, the preparation of checks for disbursements, and the preparation of monthly and quarterly reports.

A lack of segregation of duties or strong oversight increases the risk of undetected errors. A proper segregation of duties over the accounting and reporting functions or the implementation of compensating controls, when necessary because of a limited number of staff, is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To offset this lack of segregation of duties, the sheriff has implemented some compensating controls including dual signatures and cross-checking procedures. However, these procedures are not sufficient enough to reduce the risks associated with the lack of segregation of duties. The sheriff should segregate duties to the extent allowed by budget restrictions. For those duties that cannot be segregated, strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight should include reviewing daily checkout procedures, monthly bank reconciliations, receipts and disbursements ledgers, and the quarterly reports. Documentation, such as the sheriff or a designee's initials or signature, should be provided on those items that are reviewed.

Sheriff's response: The sheriff did not respond.

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](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

