



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Estill County Sheriff Gary Freeman. 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 Estill 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 did not deposit funds daily. The sheriff did not make daily deposits. All fees collected in January 2015 were deposited on February 4, 2015. The sheriff was performing daily check-out procedures when funds were collected; however, these funds were not deposited timely. The sheriff maintains daily collections in the office safe. According to the bookkeeper, bank deposits are made periodically or when a large amount of collections are on hand. Maintaining funds in the office increases the risk that fraud, errors, or misappropriations will occur. As mandated by KRS 68.210, the State Local Finance Officer prescribes minimum standards for fee officials, including performing daily check-out procedures and making daily

deposits intact into a federally insured banking institution. We recommend the sheriff make bank deposits daily.

Sheriff's response: The official did not provide a response.

The sheriff's office lacks adequate segregation of duties. According to the sheriff, due to a small staff, the responsibilities of recording, depositing, and reconciling cash are delegated to the same individual. Since only one person performs these functions, there is no assurance that financial transactions are accurate, complete, and free of error or misstatement. It increases the risk of undetected fraud or errors. The functions of receiving, recording, depositing, and reconciling cash should be separated whenever possible in order to decrease the risk of undetected errors, misstatements, or fraud. If duties cannot be adequately segregated, the sheriff could implement and document compensating controls to reduce the risk of inadequate segregation of duties.

Examples of compensating controls include: the sheriff comparing daily checkout sheet to receipts ledger and bank deposit, reviewing bank reconciliations for accuracy, performing surprise cash counts, reviewing invoices prior to payment, and reviewing all financial reports. The sheriff could document his review process by initialing reports and supporting documentation. We recommend the sheriff segregate the duties of receiving, recording, depositing, and reconciling cash or implement and document compensating controls to offset this control issue.

Sheriff's response: The official 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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