



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Fleming County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Fleming County Sheriff Gary Kinder. 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 Fleming 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 internal control over financial operations and reporting.

The audit contains the following comments:

**The sheriff did not submit the fourth quarter report to the Department for Local Government:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-001. The fourth quarter report (year-end financial statement) was not submitted to the Department for Local Government's (DLG) state local finance officer. DLG mailed the sheriff a delinquent notice dated March 14, 2017. The sheriff did not ensure that he or his staff submitted the fourth quarter report to DLG. As a result, the sheriff's financial condition is not known to the state local finance officer and DLG, which is the regulatory agency for county officials. KRS 68.210 authorizes the state local finance officer to require officials from local governments to

submit financial reports. Quarterly reports are to be submitted by the twentieth day following the close of the quarter in order to satisfy this requirement. We recommend the sheriff ensure quarterly reports are prepared and submitted by the twentieth of each month following the close of the quarter.

*Sheriff's Response: We are currently working on submitting them on time.*

**Bank loan fees and civil penalties are not allowable expenses of the fee account:** The sheriff paid a \$95 bank loan fee and a civil penalty of \$250 from the fee account. According to the sheriff, this was due to him not being aware that bank loan fees and civil penalties were not allowable expenses of the fee account. The disallowed disbursements result in taxpayer funds being spent inappropriately. In addition, the sheriff personally owes \$345 to the 2016 fee account to reimburse these disallowed disbursements. Fee officials are required to expend funds on allowable expenses as defined in the case of Funk v Milliken, 317 S.W.2d 499 (Ky. 1958). In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. We recommend the sheriff reimburse \$345 to the 2016 fee account from his personal funds for these disallowed disbursements. Furthermore, we recommend the sheriff only expend funds for allowable purposes in the future.

*Sheriff's Response: After this was brought to our attention we paid back to fee account.*

**The sheriff's office lacks adequate segregation of duties over fee receipts and disbursements:** This is a repeat finding and was reported in the prior year audit report as Finding 2015-006. The sheriff's office lacks adequate segregation of duties and internal controls over fee receipts and disbursements. The bookkeeper, deputy clerk, and occasionally the sheriff all collect fee receipts. The bookkeeper prepares a daily bank deposit, reconciles the daily receipts to the income/expense report, and posts items to the receipts ledger. The bookkeeper prepares checks for payment of expenses and posts checks to the disbursements ledger. The bookkeeper signs the majority of the checks, with the sheriff signing only occasionally. Only one signature is required on checks. The bookkeeper prepares the monthly bank reconciliation and the monthly and quarterly reports.

As previously described, the sheriff has not structured his office in a way that segregates duties and responsibilities. The sheriff has also not provided sufficient oversight of the financial reporting process. A lack of oversight could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG). Additionally, internal controls and proper segregation of duties protect employees and the sheriff in the normal course of performing their daily responsibilities.

Good internal controls dictate the same employee should not receive payments, prepare deposits, and post to the receipts ledger; the same employee should not prepare monthly reports, sign checks, and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers, and prepare bank reconciliations and monthly reports.

We recommend the sheriff's office implement internal controls and segregate duties as much as possible. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the sheriff could take on the responsibility of preparing or reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control. Furthermore, the sheriff could require dual signatures on all checks, with one signature being the sheriff's.

*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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