



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Lawrence County Sheriff Garrett Roberts. 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 Lawrence 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's office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, records transactions in the ledgers, prepares deposits, and reconciles the bank account.

Inadequate segregation of duties allows for one person to have a significant role in processing and recording receipts and disbursements, which increases the risk of misappropriation of assets and inaccurate financial reporting will occur and be undetected.

Internal control duties should be segregated to decrease the risk of misappropriation of assets, undetected errors, and inaccurate financial reporting to external agencies. Compensating controls such as comparing the daily checkout sheet to the receipts ledger and the bank deposit can be implemented to decrease the risk present in the absence of proper segregation of duties, but they don't eliminate the lack of adequate segregation of duties.

We recommend the same person not perform multiple accounting functions, and if the duties cannot be segregated, then compensating controls such as strong oversight over the employee's work should be provided and documented.

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

The Lawrence County Sheriff's quarterly financial report was not properly classified, materially accurate, or submitted to the Department for Local Government: In order for the sheriff's fourth quarter financial report to be accurately stated, numerous material audit adjustments to disbursements were necessary, the aggregate of the adjustments were \$105,288. Also, the sheriff did not submit quarterly reports to the Department for Local Government (DLG).

The sheriff failed to ensure the fourth quarterly financial reports were complete and accurate. By not having an accurate financial statement, the sheriff's quarterly financial report did not accurately report the financial activities of the sheriff's office for the calendar year 2016.

KRS 134.192(11) states, in counties with population of less than 70,000, the sheriff's annual settlement shall include: "[a] complete statement of all funds received by his or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of his or her commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes[.]" and "[a] complete statement of all expenditures of his or her office[.]"

The Uniform System of Accounts, adopted under KRS 68.210, requires the sheriff to prepare a quarterly report which includes all receipts and disbursements the sheriff collected and paid during the calendar year.

We recommend the sheriff ensure all receipts and disbursements on the ledgers be properly reported on the quarterly financial reports to ensure proper reporting to the Department for Local Government.

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

The sheriff's office did not make deposits daily: The sheriff did not always deposit receipts daily. Auditors tested one week of receipts and found there were six to nine days between date of receipt and date of deposit. The sheriff does not have procedures in place to ensure deposits are made daily. As a result, there is a risk of misstatements due to error, as well as misappropriation of receipts. The State Local Finance Officer, under the authority of KRS 68.210, has established minimum accounting requirements, which include depositing receipts intact on a daily basis and

reconciling receipts to a daily check out sheet. We recommend the sheriff deposit receipts daily as required by the State Local Finance Officer.

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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