



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Leslie County Sheriff Delano Huff. 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 Leslie 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 sheriff's office lacks adequate segregation of duties over receipts, disbursements, and bank reconciliations. These control deficiencies existed because the bookkeeper has the responsibility of preparing daily receipts, daily checkout sheets and deposits, posting daily checkout sheets to the receipts ledger, and preparing and posting disbursements to the ledger. The bookkeeper also prepares deposits, posts to the receipts ledger, prepares and posts disbursements to the ledger, and prepares monthly bank reconciliations and quarterly reports. Although there was some documentation of compensating controls identified on available source documents, these were not strong enough to limit the severity of the lack of segregation of duties.

A proper segregation of duties over accounting functions is essential for preventing asset misappropriation and inaccurate financial reporting. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Budget restrictions may have limited the number of staff the sheriff could hire. As a result, it may not have been feasible to segregate accounting duties to different employees.

In this situation, strong oversight over receipts, disbursements, and reconciliations should have been performed by an employee not currently performing any of those functions. The sheriff should segregate duties or implement effective compensating controls to offset this weakness. If the sheriff chooses to implement compensating controls, the sheriff should document his oversight on the appropriate source documents. The following are examples of other controls the sheriff could implement:

- The sheriff could periodically recount and deposit cash receipts. This could be documented by a signature or initials on the daily checkout sheet and the deposit ticket.
- The sheriff could review supporting documentation for all disbursements. This could be documented by a signature or initials on invoices.
- The sheriff could have required dual signatures on all checks, one belonging to the sheriff.
- The sheriff could receive bank statements unopened and reviewed the statements for any unusual items prior to giving them to the individual performing the bank reconciliations.
- The sheriff could review the bank reconciliations and compare it to the balance in the ledger. This could be documented by initialing the bank statement, bank reconciliation, and ledgers.

Sheriff's response: No response.

Year-end receivables and liabilities were not presented on the sheriff's fourth quarter report. Financial activity that occurred after the end of the calendar year 2015 was not recorded on the sheriff's 4th quarter report. The lack of adequate segregation of duties in the sheriff's office contributed to this misstatement. As a result, the sheriff's 4th quarter report was materially misstated and therefore did not give an accurate financial representation of the sheriff's year-end receipts and disbursements. Effective internal controls require that sheriff's reports are accurate. We recommend the sheriff ensure that reports contain all financial activity relevant to the year for which the report is issued.

Sheriff's response: No 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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