



Auditor of Public Accounts  
Mike Harmon

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Contact: **Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

### **Harmon Releases Audit of Livingston County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Livingston County Sheriff Bobby Davidson. 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 Livingston 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 Livingston County Sheriff's Office does not have adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The Livingston County Sheriff's Office does not have adequate segregation of duties over receipts and disbursements. The bookkeeper can collect cash, prepare the daily checkout sheet, prepare deposits, take deposits to the bank, post to the ledgers, prepare and sign checks, reconcile the bank statements, and prepare monthly and quarterly reports.

According to the sheriff, due to a limited staff size, the bookkeeper is required to perform most of the bookkeeping functions. This condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. A lack of segregation of duties or strong oversight increases the risk of undetected errors and fraud.

Good internal controls dictate that the duties associated with the custody of cash, authorization of transactions, and recording of transactions be performed by different employees. The segregation of duties over various accounting functions such as collecting cash, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If this is not feasible due to budgetary constraints, cross checking procedures could be implemented and documented by the individual performing the procedure.

We recommend the sheriff segregate the duties noted above by allowing different deputies to perform them. For those duties that cannot be segregated due to a limited staff size, strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight should include reviewing daily checkout sheets, daily deposits, and monthly bank reconciliations. Also, all checks should require dual signatures, with one being the sheriff's. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that were reviewed.

*County Sheriff's Response: We do not generate enough revenue to have the amount of employees to insure adequate segregation of duties, but we have and will continue to check each others work, to co-sign checks, to have sheriff to go over invoices and check our work.*

**The Livingston County Sheriff did not present his fourth quarter financial statement and annual settlement to the fiscal court:** This is a repeat finding and was included in the prior year audit report as Finding 2019-004. The Livingston County Sheriff did not present his fourth quarter financial statement and annual settlement to the fiscal court for approval. According to staff, fiscal court was only meeting virtually and the sheriff failed to present the financial statement. Because the sheriff did not present his fourth quarter financial statement and annual settlement to the fiscal court, he is not in compliance with KRS 134.192(11).

KRS 134.192(11) states “[i]n counties containing a population of less than seventy thousand (70,000), the sheriff shall file annually with his or her settlement:

- a) 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
- b) A complete statement of all expenditures of his or her office, including his or her salary, compensation of deputies and assistants, and reasonable expenses.”

We recommend that, in the future, the Livingston County Sheriff comply with KRS 134.192 by presenting his fourth quarter financial statement and annual settlement to fiscal court for approval.

*County Sheriff's Response: Livingston County Fiscal Court was having virtual meetings at the time because of Covid, and all that was going with Covid just caused an oversight on our part. Also, the courthouse was closed for 2 months. The annual settlement will be done this year and presented to fiscal court.*

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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