



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2014 financial statement of former Martin County Sheriff Garmon D. Preece. 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 Martin 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 former sheriff's office lacked adequate segregation of duties. The former sheriff's office lacked adequate segregation of duties. The former sheriff's bookkeeper collected payments from customers, prepared deposits, wrote checks, posted transactions to the receipts ledger, posted checks to the disbursements ledger, and prepared monthly and quarterly reports. The former sheriff or another employee did not document oversight of any of these activities. Lack of oversight could have resulted in the undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government. This was the result of a limited budget, which restricted the number of employees the former sheriff could

have hired or delegated duties to. Segregation of duties over various accounting functions such as opening mail, 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.

The former sheriff should have separated the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If due to a limited budget, this was not feasible, cross checking procedures could have been implemented and documented by the individual performing the procedure.

Former Sheriff's response: Ok.

The former sheriff did not make daily deposits. The part-time bookkeeper prepared the deposits and took them to the bank. A lack of daily deposits could have resulted in undetected fraud, misappropriation of assets, and inaccurate financial reporting to external agencies such as the Department for Local Government. This condition was the result of a limited budget, which restricted the number of employees the former sheriff could hire or delegate duties to. KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting procedures, which includes depositing receipts intact on a daily basis into a federally insured financial institution. Deposits should have been made daily to prevent the likelihood of a misstatement or fraud occurring without being detected.

Former Sheriff's response: Ok.

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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