



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Metcalfe County Sheriff Rondal Shirley. 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 Metcalfe 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 Metcalfe County Sheriff overspent the maximum salary limitation set by the fiscal court:** On December 27, 2016, the Metcalfe County Fiscal Court set the maximum amount the sheriff could expend for deputies and assistants at \$241,045, but the sheriff expended \$244,593. The sheriff overspent his approved maximum salary limitation due to not adequately monitoring his budget and payroll disbursements throughout the year. Thus, the sheriff overspent his maximum salary limitation by \$3,548.

KRS 64.530(3) states, in part, “[t]he fiscal court shall fix annually the reasonable maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant.”

We recommend the sheriff monitor his payroll disbursements throughout the year and obtain any necessary budget amendments before year end, thus ensuring he does not overspend his approved maximum salary amount.

*Sheriff's Response: This has been looked into & will be addressed.*

**The Metcalfe County Sheriff issued payroll checks prior to the end of the pay period:** The Metcalfe County Sheriff issued payroll checks prior to the end of the pay period for the weeks June 24, 2017 through July 7, 2017. The pay period ended on July 7, 2017, which is a Friday. The payroll disbursements for the pay period were issued on July 6, 2017. Therefore, the deputies and personnel who were scheduled to work on Friday, July 7, 2017, received pay for time not yet earned. This occurred because the office manager is off on Fridays during the months when the office is not collecting taxes.

Due to receiving payroll checks prior to the end of the pay period, deputies and personnel are being paid for time not yet earned, thus the sheriff is pre-paying for services, which is prohibited. In addition, there is a risk that employees will be paid for hours not actually worked. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* includes a section, Handling Public Funds Minimum Requirements Pursuant to KRS 68.210 For All Local Government Officials (And Employees) that states, “[n]o bonuses, no prepayment for goods or services, and no contributions. (Section 3, Kentucky Constitution)”. KRS 45.340 states, in part, “[c]hecks shall be tendered to an officer or employee only after he has completed the work for which he is being paid and not later than fifteen (15) days after the designated pay period.”

We recommend the sheriff refrain from issuing payroll disbursements prior to the end of the pay period, ensuring compliance with DLG requirements.

*Sheriff's Response: The ones who received their check were off on Friday.*

Auditor's Reply: Deputies and personnel who worked on Friday, July 7, 2017, were paid on July 6, 2017, for time not yet earned.

**The Metcalfe County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, and reconciliations:** The Metcalfe County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, and the reconciliation process. This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The sheriff's office manager/bookkeeper collects receipts, prepares deposits, prepares daily checkout sheets, prepares and signs checks, and prepares financial statements and monthly reports. In addition, she posts to the receipts and disbursements ledgers and reconciles the monthly bank statements. The sheriff has instituted some review processes over receipts such as periodic documented reviews of daily

checkout sheets and deposits by other office staff and dual signatures on all checks. However, there is not documented review over ledgers, monthly reports, bank reconciliations or payroll reports. The office manager stated that the office staff (office manager and two part-time employees) is reviewing each other's work and the sheriff reviews occasionally. However, most of the reviews were not documented during 2017.

A lack of oversight could result in the undetected misappropriation of assets or inaccurate financial reporting to external agencies such as Department for Local Government. The segregation of duties over various accounting functions such as preparing deposits, posting to the receipts and disbursements ledgers, preparing monthly reports, and preparing monthly bank reconciliations, or the implementation of compensating controls is essential for providing protection from asset misappropriation or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff separate the duties involving receipts, disbursements, preparation of monthly reports, and preparation of monthly bank reconciliations. If this is not feasible due to lack of staff, then strong oversight over those areas should occur and involve an employee not currently performing any of those functions. Additionally, the sheriff could also provide this oversight. The individual providing the oversight should initial the source document as evidence of the review.

*Sheriff's Response: We are working on implementing different things to cover this.*

**The Metcalfe County Sheriff's fourth quarter financial report was inaccurate:** The Metcalfe County Sheriff's fourth quarter financial report was not accurate. The fourth quarter financial report was not reconciled to the receipts and disbursements ledgers, or reviewed for accuracy prior to submission to the Department for Local Government (DLG) or the Metcalfe County Fiscal Court. Reclassifications were necessary to correct the receipts and disbursements on the quarterly report totaling \$12,966 and \$61,238, respectively. In addition, six receivables receipted after December 31, 2017, totaling \$28,409 were deducted from the year to date receipts totals instead of added and two disbursement year to date amounts totaling \$38,646 were not included in total disbursements. Therefore, total receipts and disbursements per the fourth quarter financial report were not accurate.

The reclassifications and errors resulted from a lack of oversight over the financial recording process and preparation of the fourth quarter financial report. Although the fourth quarter financial report was signed by the sheriff and the county judge/executive, it was inaccurate. Also, there is no documented review over the posting to the monthly receipts and disbursements ledgers. The lack of oversight could result in the undetected misappropriation of assets or inaccurate financial reporting to external agencies such as DLG.

Good internal controls dictate that oversight over all aspects of the financial reporting process and the posting to the receipt and disbursements ledgers be implemented to ensure accuracy.

We recommend the sheriff implement internal controls over the monthly receipts and disbursements ledgers and the financial reporting process to ensure amounts reported on the quarterly financial report are accurate.

*Sheriff's Response: Due to reclassification of items. Better oversight will be done.*

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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