



Auditor of Public Accounts  
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### **Harmon Releases Audit of Metcalfe County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the August 4 – December 31, 2019 financial statement of Metcalfe County Sheriff Lonnie Hodges. 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 the internal control over financial operations and reporting.

The audit contains the following comment:

**The Metcalfe County Sheriff's Office lacks adequate segregation of duties over financial reporting, reconciliations, and payroll direct deposits:** The Metcalfe County Sheriff's Office lacks adequate segregation of duties over financial reporting, reconciliations, and payroll direct deposits. The sheriff's office manager/bookkeeper collects receipts, prepares deposits, prepares daily checkout sheets, prepares and signs checks, and prepares payroll. In addition, she posts to the receipts and disbursements ledgers, prepares financial statements and monthly reports, and reconciles the monthly bank statements. No reviews of the financial statement, receipts ledger, disbursements ledger, bank reconciliations, and payroll direct deposits were documented by the other office staff or the sheriff.

The lack of segregation of duties occurred because the sheriff failed to segregate incompatible duties. The sheriff stated he cannot hire additional employees to allow segregation of duties due to budget limitations. A lack of oversight resulted in the disbursements ledger not agreeing to the financial statement. Paychecks dated August 20, 2019, in the amount of \$13,970, were not recorded on disbursements ledger and five operating disbursements categories per the financial statement did not agree to the disbursements ledger. In addition, a lack of oversight could result in undetected misappropriation of assets or inaccurate financial reporting to external agencies such as the Department for Local Government (DLG).

Adequate segregation of duties over financial reporting, reconciliations, and payroll direct deposits would prevent the same person from having a significant role in multiple accounting functions, such as preparing deposits, preparing payroll, posting to the receipts and disbursements ledgers, preparing monthly and quarterly reports, and preparing monthly bank reconciliations. The sheriff can implement oversight when duties cannot be segregated.

We recommend the sheriff's office segregate duties over financial reporting, reconciliations, and payroll direct deposits. If segregation of duties 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.

*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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