



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Ohio County Sheriff Tracy Beatty. 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 Ohio 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 sheriff's office lacks segregation of duties over receipts, reconciliations, preparation of the financial statements, and supporting financial records: The sheriff's office has a lack of segregation of duties over ledger postings and financial statement preparation with no compensating internal controls. The sheriff's former bookkeeper posted daily receipts to ledgers and prepared bank reconciliations. The former bookkeeper also prepared financial statements, but there was no review of her work to verify accuracy. According to the sheriff, the former bookkeeper was not diligent about keeping accurate records or correcting mistakes. The lack of segregation of duties occurred because the sheriff failed to segregate related duties between

multiple employees. One individual collects receipts, closes out the cash drawer, prepares daily checkout sheets, prepares deposited tickets, and monthly bank reconciliations. During calendar year 2017, the sheriff had instituted review procedures to cross check the former bookkeeper's work, but the controls did not catch errors. The lack of internal controls resulted in inaccurate financial statements. The financial statements were missing five days of receipts that the bookkeeper failed to post to the receipts ledger. The fourth quarter financial statement did not agree to the receipts ledger, nor do the totals on the financial statement agree when re-added. Additionally, inaccurate records increase the risk of misappropriation of assets. Good internal controls require the segregation of incompatible duties or the implementation of compensating controls over those duties. KRS 43.075(3) describes the accurate accounting records that is prescribed by the uniform system of accounts. A uniform system of accounts is required by KRS 68.210.

We recommend that the sheriff or his designee carefully review all financial statements and underlying financial records to determine accuracy and compliance with KRS 43.075(3) and KRS 68.210.

Sheriff's Response: The Ohio County Sheriff's Office works on a small budget which limits our staff size. Sheriff Beatty has implemented internal controls which includes cross training and reviewing all financial statements and reports by at least two staff members. All bank statements, monthly reports and checks are reviewed by Sheriff Beatty and one other tax clerk before sending out monthly disbursements. The Sheriff has installed a camera system in the tax office for monitoring transactions involving money between the public and the employees during the Sheriff's office collection process.

The Ohio County Sheriff did not make daily deposits or account for all receipts: The Ohio County Sheriff's Office did not make daily deposits or account for all receipts. For November 6, 2017, the auditor noted checks were missing from the deposit and deposited separately on November 7, 2017. The auditor also noted one receipt not accounted for on the sheriff's records. According to the sheriff, the former bookkeeper was not diligent about making sure deposits were accurate or complete. By not properly accounting for all receipts or making daily deposits, the sheriff's office could create the opportunity for the misappropriation of assets to occur and go unnoticed. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, includes performing daily check-out procedures and making daily deposits intact into a federal insured banking institution. Good internal controls also dictate that all receipts be accounted for to prevent the opportunity for the misappropriation of assets to occur and go unnoticed.

We recommend the sheriff's office make daily deposits in accordance with KRS 68.210 and account for all receipts on the sheriff's records.

Sheriff's Response: The former bookkeeper did not make daily deposits or account for all receipts. The Ohio County Sheriff's Office now makes daily deposits. Daily deposits are reviewed by a second tax clerk to insure all checks, cash and receipts are accounted for.

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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