



Auditor of Public Accounts
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Harmon Releases Audit of Perry County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Perry County Sheriff Joe Engle. 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 Perry 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 sheriff's office does not have adequate segregation of duties: The sheriff's bookkeeper posts to the receipts ledger, prepares checks, prepares payroll, posts to the disbursement ledger, makes corrections to ledger, monitors the budget, authorizes disbursement checks, and prepares monthly and quarterly reports. Another office employee prepares the daily checkouts and deposit tickets. The sheriff or another employee did not document oversight of any of these activities other than the bookkeeper recounting and initialing the daily bank deposits. Additionally, the sheriff authorizing checks along with the bookkeeper is not considered sufficient oversight over

disbursements. According to the sheriff, this condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

Inadequate segregation of duties allows for one person to have a significant role in processing and recording receipts and disbursements, which would increase the risk that undetected misappropriation of assets and inaccurate financial reporting will occur.

Internal controls and proper segregation of duties protects employees and the county sheriff in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not receive payments, prepare deposits and post to the receipts ledger; the same employee should not prepare monthly reports, sign checks and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers and prepare bank reconciliations and monthly reports.

We recommend the sheriff separate the duties involving receipts, disbursements, payroll, preparation of monthly reports, preparation of financial reports, and 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 the oversight. The individual providing the oversight should initial source documents as evidence of this review.

County Sheriff's Response: The Perry County Sheriff's Office will work with the auditor's office and try to segregate as many office duties as possible. A complete segregation of duties may not be possible with the limited number of office staff, but we will continue to work with the auditors to achieve this goal.

The Sheriff currently looks at all reports. We will also have the Sheriff sign all reports verifying that he has reviewed them starting on 9/21/2020.

We have assigned tasks to each office staff to help segregate duties starting on 9/21/2020.

As this is my first audit on 2019 Fee Account we will learn, grow and work with the state auditors to improve our segregation of duties.

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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