



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Pike County Sheriff Rodney Scott. 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 statements present fairly the receipts and disbursements of the Pike County Sheriff and the receipts, disbursements, and fund balances of the Pike County Sheriff's operating fund and county fund in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statements did not follow this format. However, the sheriff's financial statements are 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 failed to implement proper controls over financial reporting which resulted in material misstatement of the quarterly financial report: In order for the sheriff's fourth quarter financial report to be accurately stated, material adjustments were necessary. The Pike County Sheriff did not report all commissions and fees collected and disbursed for calendar year 2016; instead they were posted to the 2015 financial statement. A total of \$293,819 in receipts was removed from the sheriff's quarterly report, and \$293,819 was removed from disbursements. The bookkeeper believed posting the receipts and disbursements to the 2016 financial statement was

correct. The sheriff did not have proper controls in place to ensure proper financial reporting. A materially misstated fourth quarter financial report could result in an increased risk of uncorrected errors, theft, loss, or misappropriated assets. Good internal controls dictate proper training and supervision of a new bookkeeper to ensure accuracy of the fourth quarter report.

We recommend the sheriff ensure that quarterly reports are accurate in the future by implementing proper internal controls over financial reporting.

Sheriff's Response: Two checks - written from 2015 fee account were posted to the 2016 Financial Statement. Those checks were deposited into the correct fee account. We have corrected this error.

The Pike County Sheriff has disallowed expenditures totaling \$94: During our review of expenditures, the auditor noted the Pike County Sheriff used funds from his official fee account to pay finance charges of \$94 levied due to late credit card payments. The sheriff did not have controls in place to ensure that all expenditures were paid timely and in compliance with Funk v. Milliken, which could have prevented expenditures that were not necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. As a result of paying credit card statements late, the sheriff accrued finance charges and spent fee receipts on expenditures that were not in compliance with Funk v. Milliken. In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

We recommend the sheriff ensure all bills are paid timely and avoid expenses that do not meet the requirements of Funk v. Milliken. We also recommend that the sheriff deposit personal funds of \$94 for disallowed expenditures to his 2016 fee account.

Sheriff's Response: We are closely monitoring credit card usage to ensure this from happening again.

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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