



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

FRANKFORT, Ky. State Auditor Mike Harmon today released the audit of the 2016 financial statement of Rockcastle County Sheriff Mike Peters. 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 Rockcastle 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 lacks adequate segregation of duties. This is a repeat finding and was included in the prior year report as Finding 2015-001. The sheriff's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations. Two employees are responsible for all financial aspects of the sheriff's office. One employee collects money, issues receipts, prepares daily checkout sheets, prepares the bank deposit, and prepares and co-signs checks. The second employee prepares the receipts and disbursements ledgers, monthly bank reconciliations, and the financial reports. Inadequate segregation of duties could result in misappropriation of assets and inaccurate financial reporting.

Proper segregation of duties is essential to protect the sheriff's office against misappropriation of assets and inaccurate financial reporting, while also protecting employees in the normal course of performing their job responsibilities. Budget restraints do not allow for the sheriff to hire additional employees in order to properly segregate these duties.

We recommend the sheriff segregate the receipt, disbursement, and reconciliation processes of his office. If this is not feasible because of the limited number of staff and budget restrictions, we recommend the sheriff implement compensating controls to offset this weakness, including:

- The sheriff could recount cash and checks collected at the end of each day and compare it to the deposit ticket. The sheriff could initial the deposit ticket to document agreement.
- The sheriff could compare the receipts and disbursements ledgers to the bank reconciliation. The sheriff could initial the receipts and disbursements ledgers along with the bank reconciliation to document agreement.
- The sheriff could compare all checks to the accompanying supporting documentation. The sheriff could initial the supporting documentation to document agreement.

Sheriff's response: Due to limited budget, this will probably be a re-occurring action. I believe this is a problem for other agencies as well.

Auditor's Reply: Even with limited staff resources, the sheriff should at a minimum implement the compensating controls suggested.

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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