



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Todd County Sheriff Tracy White. 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 Todd 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 comments:

The Todd County Sheriff's Office lacks adequate segregation of duties: The Todd County Sheriff has not implemented a proper segregation of duties over the account processes for his fee account. The bookkeeper collects receipts, prepares daily checkout sheets, prepares ledgers, and signs checks. Per the sheriff, the lack of segregation of duties exists over the processes at the sheriff's office because a limited number of employees are available to properly segregate these job duties.

A lack of segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government (DLG). Segregation of duties or the implementation of compensating controls, when needed because of the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and misappropriation of assets.

We recommend the sheriff segregate the duties in order to adequately protect employees in the normal course of performing their duties and to help prevent misappropriation of assets and inaccurate financial reporting. If these duties cannot be segregated, compensating controls should be implemented in order to reduce the risks created by the lack of segregation of duties.

Sheriff's Response: Compensating controls are in place to assist with this issue.

The sheriff's ledgers and quarterly reports were inaccurate and did not reconcile properly: This issue was reported in the prior year audit report as Finding 2016-001. The sheriff's receipts and disbursements ledgers did not agree to his fourth quarterly report. There were various issues with the ledgers including items classified in the wrong account and negative items included on the receipts and disbursements ledgers. There were also overstatements on the fourth quarter report on both the receipts and disbursements line items due to items being accidentally included twice. Per the sheriff, this was caused by a lack of training for the accounting software for office personnel.

By not classifying receipts and disbursements correctly on the ledgers, there is no way to properly reconcile the actual amounts received to the ledgers and quarterly reports. This could cause the sheriff's financial statements to be misstated and present false information for budgeting purposes for both his office and the fiscal court. Also, a higher than actual number included in receipts and disbursements on the quarterly report could create additional problems when preparing and reconciling budgets. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Part of this guidance requires that accurate ledgers be maintained for daily receipts and disbursements in order to present quarterly reports and an annual settlement each year. Accurate ledgers are also needed in order to properly reconcile financial statements to bank accounts. The sheriff is also required to reconcile his quarterly report to the ledgers to ensure that all items have been accounted for correctly.

We recommend the sheriff ensure that accurate ledgers are maintained and that these ledgers are used to create the required quarterly reports. These ledgers should agree to actual amounts that are brought in and spent by his office. The quarterly reports should also be compiled directly from the receipts and disbursements ledgers in order to ensure that the quarterly reports and ledgers reconcile.

Sheriff's Response: Since Quick Books was being utilized this did not allow this process to be completed. Now Excel is being used to address this issue.

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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