



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of Whitley County Sheriff Colan Harrell. 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 Whitley 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 comment:

The sheriff's office lacks adequate segregation of duties: The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, post transactions to the receipts ledger, writes checks, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. This is a repeat finding and was included in the prior year audit report as Finding 2016-001.

The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

According to the sheriff, the sheriff's office has a limited number of employees that prevents adequate segregation of duties over most accounting functions of the office. In addition, this is the bookkeeper's first full year working as the sheriff's bookkeeper.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible due to a limited budget, cross checking procedures should be implemented and documented by the individuals performing the procedures.

Sheriff's Response: The sheriff is currently taking applications for a part time position on the front line. There is now a second employee that checks the monthly reconciliations and quarterly budget reports after they are prepared. We will continue to implement compensating controls to help offset the lack of 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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