



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the December 1 – 31, 2021 financial statement of Daviess County Sheriff Barry Smith. 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 Daviess 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 Daviess County Sheriff's financial statements were materially misstated: The Daviess County Sheriff's fourth quarter financial report and the 75% account financial report were both materially misstated. On the fourth quarter financial report, the chief financial officer presented the activity of the former sheriff (for the period January 1, 2021 through November 30, 2021) in three columns, had a separate column for the activity of the current sheriff (for the period December 1, 2021 through December 31, 2021), and then a combined year to date total. This was the fourth quarter financial report that was submitted to the Department for Local Government (DLG) as of December 31, 2021. As a result of this, receipts and disbursements were both

overstated by \$3,200,414. On the 75% account financial report, the chief financial officer included all the activity for calendar year 2021; therefore, resulting in receipts and disbursements being overstated by \$3,000,970 and \$4,408,855, respectively.

According to the chief financial officer she felt like she had properly separated the activity of the former sheriff and the current sheriff on the fourth quarter financial report. She also felt she had properly followed the guidance from County Fees for reporting the activity of the 75% account. Her understanding was since all the activity for calendar year 2021 was all for the current term it wasn't necessary to separate the activity of the former sheriff and the current sheriff. She also felt it was necessary to show the combined year to date totals on both financial statements for budgetary comparison purposes.

As a result, the fourth quarter financial report was incorrect and did not reflect an accurate financial presentation of the Daviess County Sheriff as reported to DLG for the period December 1, 2021 through December 31, 2021. Additionally, the financial report for the 75% account was incorrect for this period as well. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires accurate financial reporting. Each period stands alone in accounting for receipts and disbursements and should be accounted for accordingly in each audit period. Additionally, good internal controls dictate that all financial statements be accurate.

We recommend the Daviess County Sheriff's office implement internal controls to ensure that the fourth quarter financial report is accurate before submitting it to DLG. In addition, we recommend internal controls be implemented to ensure the 75% account financial report is also accurate.

County Sheriff's Response: The Chief Financial Officer was unsure how to proceed when Sheriff Cain retired. As a result, she reached out to County Fees for guidance. She was told to complete a Quarterly Report for October and November under Sheriff Cain and a separate Quarterly Report for December under Sheriff Smith. The Quarterlys were prepared as directed. The CFO was not informed that the financial information from the previous eleven months did not need to be included on the December report. She completed the report in this manner because she believed the entire yearly finances needed to be shown as balanced.

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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