



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2021 financial statement of Elliott County Sheriff Ray Craft. 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 Elliott 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 does not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2020-003. The sheriff's office does have adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares the daily check-out sheet, posts collection totals to the receipt's ledger, prepares/signs checks, posts to the disbursement's ledger, and reconciles the monthly bank statement. According to the sheriff, the sheriff's office has a limited number of employees that prevented adequate segregation of duties over most accounting functions of the office. Inadequate segregation of duties allows for one person to have a significant role in processing and recording receipts and

disbursements, which would increase the risk that the misappropriation of assets and/or inaccurate financial reporting will occur and be undetected.

Internal control duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Compensating controls such as comparing the daily checkout sheet to the receipts ledger and the bank deposit can be implemented to decrease the risk present in the absence of proper segregation of duties, but they don't eliminate the lack of adequate segregation of duties.

The sheriff has implemented the following compensating controls:

- The sheriff (or designee) reviews the daily deposit. This is documented by him initialing the daily checkout sheet.
- The sheriff (or designee) reviews the bank statements for suspicious activity and initials them to document review.
- Dual signatures are required on all checks, with one being the sheriff.

Although, the sheriff has implemented compensating controls, they were not operating effectively to catch all mistakes. We recommend the sheriff further strengthen compensating controls by comparing the quarterly financial report with the amounts reported to the receipts and disbursements ledgers and bank account to ensure everything is posted correctly.

County Sheriff's Response: We have worked toward correcting this comment since taking office. We do get closer each year by segregating daily paperwork throughout office staff. With limited funding we do not have money in the budget to hire additional office staff.

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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