



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2021 financial statement of former Fleming County Sheriff Gary Kinder. 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 former Fleming County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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 former Fleming County Sheriff did not have adequate segregation of duties over receipts and disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2020-002. The sheriff's office did not have adequate segregation of duties and internal controls over receipts and disbursements of the fee account. The bookkeeper, deputy clerk, and occasionally the former sheriff, all collected receipts. The bookkeeper prepared a daily bank deposit, reconciled the daily receipts to the income/expense report, and posted items to the receipts ledger. The bookkeeper prepared checks for payment of expenses and posted checks to the

disbursements ledger. The bookkeeper prepared the monthly bank reconciliation and the monthly and quarterly reports.

As previously described, the former sheriff did not structure his office in a way that segregated duties and responsibilities. The former sheriff did not provide sufficient oversight of the financial reporting process. A lack of oversight could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG). Additionally, internal controls and proper segregation of duties protect employees and the sheriff in the normal course of performing their daily responsibilities.

Good internal controls dictate the same employee should not receive payments, prepare deposits, and post to the receipts ledger; the same employee should not prepare monthly reports, sign checks, and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers, and prepare bank reconciliations and monthly reports.

We recommend the sheriff's office implement internal controls and segregate duties as much as possible. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the sheriff could take on the responsibility of preparing or reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control.

Former County Sheriff's Response: The official did not provide a response.

The former Fleming County Sheriff overspent his approved budget: The former Fleming County Sheriff's operating expenditures exceeded the budget approved by the Fleming County Fiscal Court. The Fleming County Fiscal Court approved the former sheriff's budget for official expenses at \$737,550; however, the former sheriff expended \$785,300, overspending his budget by \$47,750.

The former sheriff did not have procedures in place to ensure that appropriate budget amendments were submitted to the fiscal court before overspending the budget. As a result, the sheriff is not in compliance with the budget approved by the fiscal court.

The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15 of each year. KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials.

We recommend the sheriff's office monitor the budget throughout the year and request budget amendments as necessary from the fiscal court before year end to prevent exceeding the budget.

Former County Sheriff's Response: The official did not provide a response.

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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