



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the January 1 – December 16, 2022 financial statement of former Garrard County Sheriff Tim Davis. 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 Garrard 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 findings:

The former Garrard County Sheriff's Office did not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2021-002. The sheriff's office did not have segregation of duties over receipts, disbursements, and monthly reconciliations. Internal control procedures indicate the former sheriff's bookkeeper opened mail, collected payments from customers, prepared deposits, prepared/signed checks, posted transactions to the receipts and disbursements ledgers, prepared monthly and quarterly reports, and prepared monthly bank reconciliations. According to the former sheriff, the lack of segregation of duties as part of his daily office functions was due to lack of funding. The former sheriff did not have segregation of duties as

part of the internal control procedures for his office. The lack of segregation of duties increases the risk that undetected errors could occur. Additionally, the lack of adequate segregation of duties could result in misappropriation of assets or inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG).

Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Further, the same employee should not be responsible for preparing, recording, and reconciling disbursements. 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. If this is not feasible due to budgetary constraints, cross-checking procedures could be implemented and documented by the individual performing the procedure.

We recommend the sheriff's office separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to the ledgers. However, if an adequate segregation of duties is not feasible, compensating controls should be implemented and documented by the individual performing the procedure.

Former Sheriff's Response: We have a small staff we will have 3 people in office to handle administrative duties.

The former Garrard County Sheriff's Office did not have adequate internal controls over payroll: This is a repeat finding and was included in the prior year audit report as Finding 2021-003. Garrard County Sheriff's employees are separated into two groups for payroll purposes. The Garrard County Sheriff's Office prepares payroll for court security and administrative staff including the sheriff. The personnel in each of these groups have various requirements for employment such as full-time, part-time, and salaried and our testing of payroll included an examination of these requirements and the documentation maintained by the sheriff to support payroll expenditures.

The former Garrard County Sheriff did not have appropriate internal controls over the payroll process. During our testing of payroll, the following issues were noted:

- Nine timesheets for the month of May were not signed by a supervisor.
- One timesheet was missing the employee's signature.
- One missing timesheet for an employee.

Due to a lack of oversight by the former sheriff or his designee, timesheets were not signed to support hours worked or maintained. The former sheriff was not in compliance with KRS 337.320(1).

Strong internal controls dictate timesheets should be maintained and document the hours worked each day and each week by each employee. Each timesheet should be signed by the employee and their supervisor. All employee timesheets should be maintained and authorized by appropriate supervisor as required by KRS 337.320(1).

KRS 337.320(1) states, “[e]very employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires.”

We recommend the Garrard County Sheriff strengthen internal controls over payroll by requiring employees and supervisors to sign timesheets and to maintain all timesheets.

Former Sheriff’s Response: Only due to staffing issues we have three people to review statements.

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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