



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Hardin County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2021 financial statement of Hardin County Sheriff John Ward. 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 statements present fairly the receipts and disbursements of the Hardin County Sheriff and the receipts, disbursements, and fund balances of the Hardin County Sheriff's operating fund and county fund in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statements did not follow this format. However, the sheriff's financial statements are 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 Hardin County Sheriff has a lack of segregation of duties over receipts, disbursements, and reconciliations:** The Hardin County Sheriff has a lack of segregation of duties and did not document compensating controls. There are four office personnel that collect receipts from customers. One of the office clerks prepares the daily checkout sheet and deposit ticket, posts to the receipts ledger through excel, prepares the monthly report, and helps complete the monthly bank reconciliation. Another office clerk prepares the purchase order, receives invoices, posts to the ledger, and mails disbursement checks. The bookkeeper posts to the ledger through a software

program, completes the quarterly reports, creates and signs checks, signs and approves purchase orders, and prepares the monthly bank reconciliations. The sheriff has implemented some compensating controls; however, several areas noted above did not have proper documentation of review. During testing, auditors noted daily checkout sheets, deposit tickets, monthly reports, and ledgers had no documentation of review. Invoices were documented after review, and bank reconciliations were not thoroughly reviewed based on errors noted throughout testing.

The sheriff does not have segregation of duties as part of internal controls for the office due to the limited staff size due to the budget. Without proper segregation of duties, the risk of misstatement significantly increases due to undetected errors and theft.

Strong internal controls and procedures are vital to ensure proper segregation of duties over collection, reporting, depositing, disbursing, and reconciling receipts and disbursements. If duties are not segregated, effective compensating controls should be maintained and documented.

We recommend the Hardin County Sheriff's Office implement the compensating controls listed below, in addition to the compensating controls that have been implemented. In addition, the person responsible for reviewing a document and initialing should be independent of who prepared the document.

- The daily checkout sheet, deposit ticket, and receipts issued should be reviewed and initials documented on the checkout sheet and deposit ticket.
- The monthly report and ledger should be reviewed and documented.
- The bank reconciliation should be reviewed thoroughly and agreed to the quarterly report. Any differences noted should be addressed.
- Purchase orders should be completed prior to receiving an invoice from a vendor.
- Invoices should be reviewed and compared to the disbursement check. Documentation of initials should be on the invoice after review.

*Sheriff's Response: We try to complete all of the cross initialing we have been directed to do by previous auditors. We will make further attempts to initial all documents.*

**The Hardin County Sheriff has a lack of controls over disbursements:** Auditors randomly selected disbursements to test from each account maintained by the Hardin County Sheriff's office. Auditors tested 16 fee account transactions, 13 imprest account transactions, five extradition account transactions, seven discretionary account transactions, one special account transaction, and six drug account transactions. The following transactions noted exceptions and control deficiencies:

- All accounts tested noted invoices were not stamped with date received.
- Two of the 16 transactions tested from the fee account included purchase orders that were not properly authorized indicating approval.
- All transactions tested for extradition, discretionary, special, and drug accounts did not maintain invoices that were properly authorized indicating approval prior to payment.
- One transaction tested from the fee account included late charges of ten dollars.

- One of 13 transactions tested from the imprest account was not paid within 30 days of the invoice date.
- All invoices tested from the extradition account were not paid within 30 days of the invoice date.

The official did not monitor/review to make sure requirements were followed. The sheriff is in noncompliance with Funk vs. Milliken due to the spending of public funds on late fees charged, which is considered personal in nature and not necessary for the office. A lack of monitoring controls led to disbursements not having invoices stamped with the date received, invoices not being paid within 30 days, late fees charged, and no documentation of approval on purchase orders or invoices.

Funk vs. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Proper internal controls indicate that all invoices be stamped with the date received, invoices should be paid within 30 days of receiving the invoice, and supporting documentation should document approval. These procedures can reduce the risk of a material misstatement or fraudulent activity occurring.

We recommend the Hardin County Sheriff implement proper internal controls over disbursements by ensuring invoices are stamped with the date received in the lower left-hand corner, invoices are paid within 30 days of receiving the invoice, and invoices or purchase orders should be documented with approval prior to payment and agreed to the check issued.

*Sheriff's Response: HCSO is NOT required to stamp - with date received stamp and is not in SOP's or any manual we have. Extradition, Special, and Drug accounts can be verbally authorized for approval for payment at the discretion of the Sheriff, CFO, or Chief Deputy. The Discretionary Account (which the Auditors had no knowledge of and had the need to call their manager for advice) can only be used by the Sheriff and needs no PO. Some items will not have PO's if approved by the Sheriff, CFO, or Chief Deputy. Occasionally, we will have a late fee. The mail is extremely uncontrollable as to when we receive it, and credit card bills received only have a 5-day turn-around. We have hand delivered the bills on multiple occasions to make sure there are no late fees assessed.*

Auditor's Reply: The Kentucky Finance and Administration Cabinet's *Financial Operation In Counties With Population Of 70,000 Or More* manual states, "[y]ou must attach the vendor's original bill or invoice, with the date you received it stamped in the lower left hand corner. You should retain a copy for your records." Also, as mentioned above to reduce the risk of material misstatement and fraud, good internal controls dictate that supporting documentation should document approval.

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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