



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Leslie County Sheriff Billy Michael Collett. 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 Leslie 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 comments:

**The Leslie County Sheriff's Office does not have adequate segregation of duties over receipts, bank reconciliations, and disbursements:** This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The sheriff's bookkeeper is responsible for collecting receipts, preparing deposits, preparing daily checkout sheets, posting to ledgers, and performing bank reconciliations. The sheriff or another employee did not document oversight of bank reconciliations. The sheriff's bookkeeper is also responsible for preparing purchase orders, preparing checks, and signing checks. The sheriff has implemented some compensating controls, such as the sheriff reviews daily checkouts and deposits, and there are dual signatures on checks.

However, these controls do not address the lack of segregation of duties of the same employee collecting receipts, making deposits, posting to ledgers, preparing purchase orders, and preparing checks.

According to the sheriff, the lack of segregation of duties is a result of a limited budget; which restricts the number of employees he can hire and delegate responsibilities to. A lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG).

The segregation of duties over various accounting functions such as preparing deposits, preparing daily checkout sheets, and issuing cash receipts is essential for providing protection from asset misappropriation and inaccurate financial reporting. Good internal controls further dictate that duties of preparing purchase orders, preparing checks, signing checks, posting to ledgers, and reconciliations of ledgers to bank accounts be segregated. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff segregate duties over receipts, bank reconciliations, and disbursements. If segregation of duties is not feasible due to lack of staff, the sheriff should strengthen established compensating controls to help mitigate any weakness.

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

**The Leslie County Sheriff overspent the amount fixed by the fiscal court for official expenses:** For the calendar year 2020, the Leslie County Sheriff's office operating expenditures exceeded the maximum amount fixed by the Leslie County Fiscal Court.

The county sheriff stated that a limited budget and other duties within the office kept him from providing adequate oversight. The sheriff's overall operating budget was \$482,800 and operating disbursements totaled \$517,381 resulting in the sheriff exceeding the budget by \$34,581.

KRS 64.530(3) states, in part, "[t]he fiscal court may also fix the reasonable maximum amount that the officer may expend each year for expenses of his office."

We recommend the Leslie County Sheriff maintain official expenses within the amount fixed by fiscal court.

*County Sheriff's Response: In order to correct this action, the bookkeeper will submit amendments before the 4<sup>th</sup> quarter.*

**The Leslie County Sheriff's fourth quarter financial statement was not accurate:** The sheriff's fourth quarter financial statement was materially inaccurate. The sheriff stated this is due to deposit errors and corrections improperly posted to the bookkeeping software. The sheriff's fourth quarter report required material adjustments. Receipts required adjustments of \$21,717 and disbursements were adjusted by \$25,241.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation & State Local Finance Officer Policy Manual* requires the sheriff to prepare a quarterly report which includes all receipts and disbursements the sheriff collected and paid during the calendar year.

We recommend the sheriff ensure his fourth quarter financial statement is accurate.

*County Sheriff's Response: In order to correct this action, the bookkeeper will no longer include transfers in the settlement.*

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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