



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2021 financial statement of Livingston County Sheriff Bobby Davidson. 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 Livingston 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 Livingston County Sheriff does not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2020-001. The Livingston County Sheriff's Office does not have adequate segregation of duties over receipts and disbursements. The bookkeeper can collect cash, prepare the daily checkout sheet, prepare deposits, take deposits to the bank, post to the ledgers, prepare and sign checks, reconcile the bank statements, and prepare monthly reports.

According to the sheriff, due to a limited staff size, the bookkeeper is required to perform most of the bookkeeping functions. This condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. A lack of segregation of duties or strong oversight increases the risk of undetected errors and fraud.

Good internal controls dictate that the duties associated with the custody of cash, authorization of transactions, and recording of transactions be performed by different employees. The segregation of duties over various accounting functions such as collecting cash, 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 segregate the duties noted above by allowing different deputies to perform them. For those duties that cannot be segregated due to a limited staff size, strong management oversight by the sheriff or designee could be a cost-effective alternative. This oversight should include reviewing daily checkout sheets, daily deposits, and monthly bank reconciliations. Also, all checks should require dual signatures, with one being the sheriff's. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that were reviewed.

County Sheriff's Response: Sheriff's office does not generate enough revenue to hire enough personnel.

The Livingston County Sheriff's Office has internal control deficiencies over the payroll process: The payroll for the Livingston County Sheriff's Office is paid by the fiscal court and then reimbursed by the sheriff's office. During 2021, the fiscal court paid the sheriff's salary of \$97,193, but was only reimbursed \$72,228. Material adjustments were required to properly show the payroll amount fiscal court contributed on behalf of the sheriff's office. According to the bookkeeper, after all expenses were paid for the year, the fiscal court was reimbursed with the remainder of funds left in the 2021 fee account.

Strong internal controls dictate that payroll be properly and timely paid over to the fiscal court on behalf of the sheriff's office.

We recommend the Livingston County Sheriff strengthen internal controls over the payroll process. Internal controls such as monitoring expenses monthly to ensure payroll is paid properly and timely to the fiscal court, should be implemented.

County Sheriff's Response: We have a new county treasurer, and she was not informed of cut off time in weeks since we are paid biweekly.

The Livingston County Sheriff overspent his approved budget: The Livingston County Fiscal Court approved the sheriff's operating budget in the amount of \$438,610. However, the sheriff's

operating disbursements totaled \$482,994. Thus, the Livingston County Sheriff overspent his budget by \$44,384. A budget amendment was obtained prior to year-end, but it was not sufficient to cover the operating disbursements. Because the sheriff failed to monitor the budget properly when making expenditures, this caused the office to expend more money than was allowed by fiscal court. Therefore, the sheriff is not in compliance with KRS 68.210.

Strong internal controls are essential to ensuring that receipts and disbursements are accounted for properly. Strong internal controls help to prevent or detect misstatements due to error, as well as protect against misappropriation of assets. Additionally, 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 gives the state local finance officer the authority to prescribe a uniform system of accounts.

We recommend the Livingston County Sheriff monitor the budget set by fiscal court to ensure that he does not spend more than what is approved, and, if necessary, obtain a budget amendment from fiscal court before year-end.

County Sheriff's Response: We actually brought in the extra money, but when we did the amendments, we did not include the extra money into income.

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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