



Auditor of Public Accounts Allison Ball

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Ball Releases Audit of Livingston County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Allison Ball released the audit of the 2022 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 statements present fairly the receipts and disbursements of the Livingston County Sheriff and the receipts, disbursements, and fund balances of the Livingston 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 internal control over financial operations and reporting.

The audit contains the following findings:

The Livingston County Sheriff's Office does not have adequate segregation of duties: The bookkeeper collects cash, prepares the daily checkout sheet, prepares deposits, takes deposits to the bank, posts to the ledgers, prepares and sign checks, reconciles the bank statements, and prepares monthly reports. These incompatible duties create a lack of segregation of duties over receipts and could affect the sheriff's ability to report accurate financial information.

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.

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. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that were reviewed.

Sheriff's Response: We do not generate enough revenue to have more employees. We do, however, do various procedures to ensure paperwork is viewed with more persons than the one doing the work.

The Livingston County Sheriff's fourth-quarter financial statement was materially misstated: The Livingston County Sheriff submitted a fourth-quarter financial statement for calendar year 2022 to the Department of Local Government that was materially misstated. Financial statement receipts of \$77,727 and disbursements of \$31,282 were misclassified. The sheriff agreed with and accepted the receipt and disbursement adjustments needed to correct the misclassifications on his fourth-quarter financial statement in order to present an accurate calendar year 2022 financial statement.

The errors were caused by inconsistencies in the posting of daily receipts and disbursements to the supporting ledgers by the sheriff's office. Due to the posting errors, the fourth quarter financial statement submitted to the Department for Local Government was materially misstated, and end users were not able to verify amounts that were paid to or received from the sheriff's office.

Strong internal controls dictate that the daily ledger postings should be accurate in order for the fourth-quarter financial statement to be accurate and complete.

We recommend the sheriff strengthen internal controls over the receipt and disbursement daily ledger postings and the completion of the fourth-quarter financial statement. Such controls should ensure that all transaction classes are recorded in the proper line-item category by using the guidance prescribed by the Department for Local Government.

Sheriff's Response: Our plan is for both employees to go over quarterly financial more closely and to watch line items more closely.

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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