



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2021 financial statement of Menifee County Sheriff Roger Smallwood. 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 Menifee 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 sheriff's office 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 sheriff's office does not have adequate segregation of duties. The sheriff's bookkeeper collected payments from customers, recorded transactions in the ledgers, prepared deposits, processed disbursements, and reconciled bank accounts.

According to the sheriff, this was caused by a limited budget which restricts the number of employees the sheriff could hire and delegate duties. Inadequate segregation of duties allows for

one person to have a significant role in processing and recording receipts and disbursements, which increases the risk of undetected misappropriation of assets and inaccurate financial reporting.

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 same person not perform multiple accounting functions and, if the duties cannot be segregated, then strong oversight over the employee's work should be implemented and documented.

*County Sheriff's Response: The Menifee County Sheriff's Office has a very limited budget due to the size and population of our county. The Sheriff's office employs two part time office personnel. It is extremely difficult to have segregation of duties with two part time employees. This office is trying to rectify this situation with employees distributing duties/jobs/task, etc between employees.*

**The sheriff did not comply with bid procedures for purchases in excess of \$30,000:** We found that the sheriff purchased a 2021 truck for \$42,990 without advertising for bids as required by KRS 424.260. Making purchases over \$30,000 without advertising for bids is allowable if purchases are made from an approved state contract vendor for the state contract price. However, this purchase was made from a vendor other than the approved state contract vendor, causing the necessity to advertise for bids. According to the sheriff he was unaware that the vendor they used did not hold the state price contract. By not advertising for bids, the sheriff may not be getting the lowest price for vehicles.

KRS 424.260 states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for: (a) Materials; (b) Supplies except perishable foods such as meat, poultry, fish, egg products, fresh vegetables and fresh fruits; (c) Equipment; or (d) Contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids. This subsection shall not apply to the transfer of property between governmental agencies as authorized in KRS 82.083(4)(a)."

We recommend the sheriff purchase from state price contract vendors or advertise for bids for all purchases over \$30,000 in accordance with KRS 424.260.

*County Sheriff's Response: The Menifee Sheriff's Office was in need of a new vehicle. There is a state agreement that That is to be followed when purchasing a state vehicle. A search was made to find an appropriate vehicle. After discussion with the county judge plans were made to purchase*

*said vehicle through [vendor name redacted] in Mt Sterling, KY. This vehicle purchase was being made during the Covid Pandemic and the truck was ordered. It was on order for several months to no avail. A 2021 [name redacted] became available on the car lot (this was the same type of vehicle we had preordered). Vehicles (especially trucks) were almost impossible to find during Covid. This vehicle was sold to us at the State Agreement price. When the 2021 audit was performed, it was discovered that [vendor name redacted] did not have a Master Agreement number to sell vehicles to State Agencies. In the future, the Sheriff's Office will put out bids for a vehicle(s) and use a state agency.*

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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