



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2022 financial statement of former Owen County Sheriff Mark Bess. 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 former Owen County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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 findings:

The former Owen County Sheriff did not have adequate segregation of duties over receipts processing: The former Owen County Sheriff did not have adequate segregation of duties over receipts. The former sheriff's bookkeeper took receipts from customers, prepared daily check-out sheets, prepared daily deposits, took daily deposits to the bank, and posted transactions to the receipts ledger. There was no documentation of review of daily checkout sheets or deposit slips.

According to the sheriff's office, there was a small administrative staff, and the bookkeeper was delegated to execute most accounting functions. The former sheriff did not implement

compensating controls sufficient to offset the control weakness noted. The lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. By the same employee primarily performing related functions without sufficient oversight and review, the risk increases that errors or fraud may go undetected. Additionally, proper segregation of duties and/or oversight and review protect employees in the course of performing their daily responsibilities.

Segregation of duties and the implementation of compensating controls when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having all the significant roles over various accounting functions. Strong internal controls dictate oversight and review procedures to ensure accountability for public funds.

We recommend the sheriff's office implement the segregation of duties over receipts processing. If these duties cannot be segregated, then the sheriff should implement compensating controls to strengthen oversight of duties performed by the same person. This could include but is not limited to the sheriff (or designee) reviewing and initialing the daily checkout sheet to agree to the daily deposit and initial the deposit slip.

Former Sheriff's Response: The former official did not provide a response.

The former Owen County Sheriff did not have adequate internal control over financial reporting: The former Owen County Sheriff's financial statement was not accurately stated. The former Owen County Sheriff's annual settlement statement overstated receipts by \$28,055, a material amount. This was a result of receipt items earned in December 2022 and received in January 2023 being recorded on an accrual basis while the same receipt account items were recorded on a cash basis from January 2022 to December 2022. This inconsistent application of accounting principles resulted in thirteen months' worth of certain receipt items, such as commissions on taxes and state fees for services, being included in the total receipts amount.

Strong internal controls dictate that financial statements be accurately prepared to be useful to stakeholders. KRS 134.192(11) states in part "the sheriff shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year, which includes: (a) A complete statement of all funds received by his or her office for official services, showing separately the total income received by his or her office for services rendered, exclusive of his or her commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes."

We recommend the Owen County Sheriff strengthen internal controls over financial reporting to ensure consistent application of accounting principles to prepare an accurate annual financial statement.

Former Sheriff's Response: The former official did not provide a response.

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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