



Auditor of Public Accounts
Mike Harmon

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Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Whitley County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the December 1 – 31, 2021 financial statement of Whitley County Sheriff Danny Moses. 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 Whitley 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 comment:

The Whitley County Sheriff's Office lacks adequate segregation of duties: The Whitley County Sheriff's Office does not have adequate segregation of duties. The Whitley County Sheriff's bookkeeper collects payments from customers, posts transactions to the receipts ledger, writes checks, posts checks to the disbursements ledger, and prepares monthly and quarterly reports.

A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government (DLG). According

to the sheriff, the office has a limited number of employees that prevents an adequate segregation of duties over most accounting functions.

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.

We recommend the Whitley County Sheriff's Office separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers to separate individuals. If this is not feasible due to a limited budget, cross checking procedures should be implemented and documented by the individual performing the procedures.

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

The Whitley County Sheriff's fourth quarter financial statement was not accurate: The Whitley County Sheriff's fourth quarter financial statement was materially inaccurate. The sheriff did not include school tax commission receipts that were returned to the sheriff after the final settlement was prepared. The sheriff also failed to include some disbursements that were posted on the disbursement ledger but were not posted to the final settlement. The sheriff did not submit an amended fourth quarter financial statement to include these transactions for receipts or disbursements.

The sheriff stated this is due to deposits and disbursements that occurred after the final settlement was submitted to fiscal court. The sheriff's fourth quarter report required material adjustments. Receipts required adjustments of \$11,652 and disbursements were adjusted by \$1,408.

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 comply with *County Budget Preparation & State Local Finance Officer Policy Manual* by ensuring all financial statements are accurate.

County Sheriff's Response: In response to the exit finding #2021-002 Financial Statement was not being accurate; the bank account had more money in it than the financial statement reflected. The financial statement must be submitted to the fiscal court on the second Friday of the month, for the fiscal court meeting. We had not received the Tax Commission back from the school by that date. When received, the money was deposited in the bank account, but it did not get included in the Financial Statement.

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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