



Auditor of Public Accounts  
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### **Harmon Releases Audit of Elliott County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the January 7 – December 31, 2019 financial statement of Elliott County Sheriff Ray Craft. 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 Elliott 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 annual settlement presented to the fiscal court was not accurate:** The sheriff's annual settlement presented to the fiscal court was not accurate. The annual settlement required a material adjustment to correct the exclusion of receipts totaling \$10,892. The receipts were overlooked when completing the settlement; however, they were paid over to fiscal court in accordance with the fee pooling agreement. As a result, the sheriff's annual settlement to the fiscal court would have shown an overpayment of excess fees. Inaccurate financial reports provide misleading information to the users of the information.

KRS 134.192(11) states that, in counties with population of less than 70,000, the sheriff's annual settlement shall include: "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, and a complete statement of all expenditures of his or her office." Because \$10,892 was not included as receipts of the sheriff's office, the financial statement was materially misstated.

We recommend the sheriff implement procedures to ensure the accuracy of his annual settlement, in order to present the most accurate information possible to the fiscal court and the public.

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

**The Elliott County Sheriff did not account for receipts properly:** The sheriff did not prepare a checkout sheet on a daily basis. The sheriff did not follow the accounting and documentation requirements established by the state local finance officer pursuant to KRS 68.210. By not preparing daily checkout sheets, classification errors could occur when posting to the receipts ledger. In addition, the risk of misappropriation of assets and inaccurate financial reporting increases.

Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires officials to issue receipts and reconcile daily checkout sheets with daily deposit totals. The daily checkout sheets should agree to batched receipts, deposit tickets, and the receipts ledger.

We recommend the sheriff prepare daily checkout sheets to reduce the risk of classification errors, misappropriation of assets, and inaccurate financial reporting.

*County Sheriff's Response: There is now a daily checkout sheet to account for daily receipts.*

**The sheriff's office does not have adequate segregation of duties:** The sheriff's bookkeeper collects payments from customers, records transactions in the ledgers, prepares deposits, and reconciles the bank account. According to the sheriff, the sheriff's office has a limited number of employees that prevents adequate segregation of duties over most accounting functions of the office. Inadequate segregation of duties allows for one person to have a significant role in processing and recording receipts and disbursements, which would increase the risk that undetected misappropriation of assets and inaccurate financial reporting will occur.

Internal control duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Compensating controls such as comparing the daily checkout sheet to the receipts ledger and the bank deposit can be implemented to decrease the risk present in the absence of proper segregation of duties, but they don't eliminate the lack of adequate segregation of duties.

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 provided and documented.

*County Sheriff's Response: Due to no funding to hire additional office personnel, this office only has one administrator to fulfill bookkeeping/accounting duties. However, we do have court security who oversee, and check daily records and initial all deposits.*

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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