



Auditor of Public Accounts
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Harmon Releases Audit of Gallatin County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Gallatin County Sheriff Josh Neale. 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 Gallatin 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 internal control over financial operations and reporting.

The audit contains the following comments:

The sheriff's office lacks adequate segregation of duties over receipts, disbursements, and bank reconciliations: This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The sheriff's office lacks adequate segregation of duties over the accounting and reporting functions of receipts, disbursements, and bank reconciliations. The sheriff's bookkeeper collects receipts, posts receipts to the ledger, takes deposits to the bank, prepares and signs checks, posts disbursements to the ledger, and completes the bank reconciliations. The sheriff reviews invoices and initials them for the bookkeeper to prepare checks, but he does not compare the invoices to the checks before he signs them, resulting in an ineffective review, or approval of

disbursements. The result is a lack of segregation of duties over receipts, disbursements, and bank reconciliations. The sheriff did not have controls in place to ensure that the staff knew the requirements.

A lack of segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Local Government. 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.

The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible due to a limited budget, cross checking procedures should be implemented and documented by the individual performing the procedure. Reviews should be evidenced with initials on the daily collection reports, deposit tickets, ledgers, and bank reconciliations.

Sheriff's Response: We are a small office but will do our best in the future to split responsibilities between us.

The sheriff manages a charitable account through his office that did not serve a public purpose associated with a regular function of the sheriff's office: This is a repeat finding and was included in the prior year audit report as Finding 2015-002. The sheriff deposits and expends donations for the Shop with a Cop program administered through the donations account managed in his office. The sheriff did not know the requirement that donation accounts have to further a public purpose of the sheriff's office and that the Shop with a Cop program does not meet this criteria. The Shop with a Cop program is popular throughout the Commonwealth and local law enforcement agencies normally administer the funds. Due to the nature of the program being handled by the sheriff's office, the lack of proper financial oversight could lead to greater opportunity for the misappropriation of funds. Per KRS 61.310, sheriffs may accept donations to be used for the public purposes of the office. This program does not further a public purpose of the sheriff's office. The sheriff may participate in the Shop with a Cop program on personal time, and the program may be operated completely externally and separate from the sheriff's office by a private or not-for-profit entity. The sheriff should not manage charitable accounts through his office that do not serve a public purpose associated with a regular function of the sheriff's office.

Sheriff's Response: This account is for our yearly program Shop With A Cop. We will check into a way to resolve the account running through the sheriff's department.

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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