



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Graves County Sheriff Dewayne Redmon. 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 Graves 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 non-compliance 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 Graves County Sheriff did not properly account for all fees collected. The sheriff's office collects a five dollar fee for Carrying Concealed Deadly Weapons (CCDW) photos as authorized by KRS 64.090. However, the sheriff does not record these fees in the receipts ledger, but rather keeps the five dollars in cash to be used to purchase photo paper and ink. By not recording these fees in the receipts ledger, the sheriff is not properly accounting for all fees collected. This practice also causes the receipts and disbursements ledgers to be understated. Additionally, since this money is kept in the form of cash, it could easily be misappropriated.

The lack of effective internal controls over receipts led to the five dollar photo fees not being recorded in the sheriff's receipts ledger.

KRS 134.160(2)(a) states "[t]he sheriff shall keep an accurate account of all moneys received and all disbursements made[.]" KRS 134.160(3) states "[a]ll payments received by the sheriff shall be entered immediately by the sheriff on his or her books." And KRS 134.160(4) states "[t]he sheriff shall obtain a receipt for all disbursements made by the sheriff." We recommend the sheriff properly account for all fees collected by his office by posting the five dollar photo fees to the receipts ledger and the corresponding expenses for ink and paper to the disbursements ledger.

Sheriff's response: Already put in place.

The Graves County Sheriff owes additional excess fees of \$37,779 for calendar year 2015.

The sheriff's office currently owes the fiscal court additional excess fees of \$37,779 for calendar year 2015. This is due to the sheriff reimbursing the drug forfeiture account \$28,979 for fuel expenses paid from this fund during the year, and also a deposit of \$8,800 from the sale of surplus and donated property into the drug forfeiture account. The drug forfeiture account may not be reimbursed from the fee account. Certain sales of surplus and donated property should be deposited into the fee account. By not accounting for these monies in the proper account, the fiscal court did not receive the correct amount of excess fees for the calendar year.

KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. Additionally, KRS 134.192(12) provides that the settlement for excess fees and commissions and other income shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810. We recommend that the sheriff properly settle excess fees with the county as determined by the audit.

Sheriff's response: \$28,979 has already been paid.

The Graves County Sheriff paid an expense allowance for attending training or conferences. The sheriff allows deputies to receive a lump sum allowance for meals prior to attending trainings or conferences. The sheriff's travel policy allows employees to be reimbursed at a per diem rate of \$6 for breakfast, \$12 for lunch and \$12 for dinner. The amount of the lump sum allowance is calculated at \$30 per day which represents the amount of the per diem. By giving lump sum allowances, the sheriff's office may be paying more for travel expenses than allowed. The sheriff did not want to put a financial burden on the deputies for any training required for official business.

KRS 64.710 states, "[n]o public officer or employee shall receive or be allowed or paid any lump sum expense allowance, or contingent fund for personal or official expenses[.]" We recommend that the sheriff refrain from giving lump sum allowances, but rather require the employee to file a claim for reimbursement with the sheriff's office for adequately supported business related expenses.

Sheriff's response: Policy has been changed.

The Graves County Sheriff's Office lacks adequate segregation of duties. A review of internal control procedures at the Graves County Sheriff's Office revealed an inadequate segregation of duties. This material weakness exists because the sheriff's bookkeeper is required to perform multiple tasks, such as the collection of fee receipts from customers, performing daily checkout procedures, deposit preparation, paying invoices, recordkeeping, and bank reconciliations. By not properly segregating these accounting functions, there is increased risk of undetected misappropriation of assets and inaccurate financial reporting (see report comment #2015-005).

Good internal controls dictate that certain accounting functions should be performed by several different employees to provide reasonable assurance the financial activity is properly accounted for and accurately reported. To ensure accurate financial reporting and adequately protect against the possibility of misappropriation of assets, we recommend the sheriff segregate the following duties:

- Daily check out procedures should be completed by someone who does not have access to accounting records or makes deposits.
- Daily deposits should be prepared by someone who does not keep the records, receive any money, or reconcile the bank account.
- Recording in the receipts and disbursements ledgers by an individual who does not make deposits or sign checks.
- Authorized signatures on checks should be limited to employees having no access to accounting records. Also, the requirement of dual signatures on checks is recommended.
- Purchasing/receiving should be assigned to someone that does not maintain accounting records.
- Bank reconciliations should be prepared monthly and agree to the ledgers by an individual who has no access to accounting records, makes deposits or signs checks.

For those duties that cannot be segregated due to a limited number of staff, strong oversight should be provided to an employee or employees responsible for these duties.

Sheriff's response: Hard to do with limited staff.

The Graves County Sheriff's Office has a material weakness in financial reporting. Results of auditing procedures revealed the following deficiencies which, when considered in combination, is a material weakness in financial reporting at the Graves County Sheriff's Office:

- The sheriff did not account for all fees collected. The sheriff collected a five dollar fee for CCDW photos, which is maintained in cash to purchase ink and paper.
- The sheriff's office owes additional excess fees of \$37,779 due to inappropriately reimbursing the drug forfeiture account for gasoline expenses initially paid from the forfeiture account.
- The sheriff paid for items without adequate supporting documentation. The sheriff advanced employees an expense allowance for meals while attending training.

- Quarterly financial reports do not include the status of additional accounts maintained by the sheriff. The drug forfeiture account, community activities account, special account, property tax accounts, franchise tax account, and escrow account were all omitted from the quarterly reports.
- The annual fee settlement did not agree to amounts posted on the ledgers because accounts receivable activity was not recorded on the ledgers but was included on the annual settlement. However, the amount reported as accounts receivable is not adequately supported by the underlying financial records (i.e. customers' subsidiary ledgers).
- The sheriff did not ensure adequate funds were available prior to purchasing items in order to be able to pay invoices within 30 days as required by state regulations (KRS 65.140).
- The sheriff did not accurately report outstanding debt as of year-end on the quarterly report.
- Timesheets are not properly maintained to adequately support payroll expenses. Two employees do not complete any timesheets, and timesheets for part-time employees are not signed.
- The sheriff permitted employees to cash checks out of the cash drawer.

The combination of these deficiencies led to inaccurate and incomplete financial activity being reported for calendar year 2015. These conditions are a result of ineffective management. Good internal controls dictate that procedures should be implemented to ensure not only compliance with laws and regulations but also to ensure complete and accurate financial reporting.

We recommend the Graves County Sheriff implement internal control procedures to ensure complete and accurate reporting of financial information to the citizens of the Commonwealth of Kentucky.

Sheriff's response: Policies have been put in place to correct these issues. Was not aware salaried employees had to do timesheets.

The Graves County Sheriff did not properly account for customer charges. The sheriff allows certain customers to charge for auto inspections. However, these transactions are not recorded in the sheriff's ledgers. The charges and payments are entered in the software, which is how the statement for billing is produced. At the end of each month, a billing statement is mailed to the customer requesting the balance owed. However, the software does not extract charge information to the ledgers. Therefore, the bookkeeper has to go back to each charge and paid receipt slip to determine the amount to report on the quarterly report. By doing this manually and not reconciling amounts reported to customer subsidiary ledgers maintained in the software, charges could be misstated and at risk of misappropriation.

Good internal controls dictate that procedures should be in place to ensure customer charges are properly and accurately accounted for. The sheriff should ensure customer charges are properly recorded by implementing internal controls procedures over customer charges.

Sheriff's response: We have had this looked at, and will keep monitoring it to see if it is correct now.

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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