



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of former 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 former Graves 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 comments:

The former Graves County Sheriff's Office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year report as Finding 2016-002. In calendar year 2017, the former Graves County Sheriff's Office lacked adequate segregation of duties. The bookkeeper is required to perform multiple tasks such as the collection of cash from customers, daily checkout procedures, deposit preparation, check preparation, bookkeeping, and bank reconciliations.

Rather than segregate the accounting functions of the office, the former sheriff has placed reliance on his trust in the bookkeeper. A lack of segregation of duties or strong oversight increases the risk undetected errors or fraud could occur.

Segregation of duties over these tasks, or the implementation of compensating controls, is essential for providing protection from asset misappropriation and helping to prevent inaccurate financial reporting. A lack of segregation of duties or strong oversight increases the risk that fraud or errors could occur and not be detected. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against the misappropriation of assets and undetected misstatements, we recommend the sheriff's office segregate the duties noted above by allowing different deputies to perform them. For those duties that could not be segregated due to a limited number staff, strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight should include reviewing monthly bank reconciliations and the receipts and disbursements ledgers. Documentation, such as the sheriff's or designee's initials or signature, should be provided on those items that were reviewed.

Current Sheriff's Response: Will follow written recommendations.

The former Graves County Sheriff's fourth quarter financial report does not agree with the receipts and disbursements ledgers: In calendar year 2017, the former Graves County Sheriff's receipts and disbursements ledgers did not agree with the sheriff's annual settlement. The former sheriff used his fourth quarter report as his settlement. Due to that report being done on January 8, 2018, subsequent receipts and excess fees payments for January through March were not accounted for on the fourth quarter financial report. This resulted in material adjustments being made to the fourth quarter financial statement during the audit.

According to the bookkeeper, there was confusion over what was required. When the former sheriff's office went fee pooling and excess fees payments were made monthly the office didn't make a final settlement but turned over their payments monthly with a report.

The fourth quarter financial report does not agree with the ledgers, and was materially misstated. Erroneous financial statements increases the risk of misappropriation and fraud. Not submitting a full settlement to fiscal court also puts the sheriff's office in noncompliance with KRS 68.210.

Strong internal controls over the recording of receipts and disbursements are essential to ensure that receipts and disbursements journals are properly maintained and the correct amount of excess fees is turned over to fiscal court.

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 and State Local Finance Officer Policy Manual* requires accurate financial reporting.

We recommend the sheriff maintain complete and accurate receipts and disbursements ledgers and perform a thorough review of the fourth quarter financial statement and annual settlement by

comparing it to the receipts and disbursements ledgers before turning it in to fiscal court by March 15 each year.

Current Sheriff's Response: Intend to follow written recommendations.

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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