



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 Green County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2022 financial statement of Green County Sheriff Robby Beard. 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 Green 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.

Finding 3 of the audit report will be referred to the Kentucky Education and Labor Cabinet for further review.

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 findings:

The Green County Sheriff's Office does not have adequate segregation of duties over all accounting functions: This is a repeat finding and was included in the prior year audit report as Finding 2021-002. The Green County Sheriff's Office does not have adequate segregation of duties over receipts, disbursements, payroll, financial reporting, and the reconciliation process. The sheriff's bookkeeper collects receipts, prepares deposits, prepares daily checkout sheets,

prepares and sign checks, and prepares payroll. In addition, she posts to the receipts and disbursements ledgers, prepares quarterly reports and monthly reports, and reconciles the monthly bank statements. The sheriff has implemented some compensating controls, such as reviewing and initialing the daily checkout sheets and monthly bank reconciliations and reviewing and approving deputies' timesheets. However, no reviews of the quarterly reports, receipts ledger, and disbursements ledger were documented by the sheriff. In addition, reviews of invoices and leave balance reports of full-time employees are not regularly documented by the sheriff.

The sheriff failed to segregate incompatible duties. The sheriff stated he cannot hire additional employees to allow segregation of duties due to budget limitations. A lack of oversight could result in undetected misappropriation of assets or inaccurate financial reporting to external agencies such as the Department for Local Government (DLG).

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, preparing monthly bank reconciliations, preparing monthly and quarterly reports, and approving timesheets 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 can implement oversight when duties cannot be segregated.

We recommend the sheriff separate the duties involved in receiving cash, preparing deposits, writing disbursement checks, posting to ledgers, and preparing monthly bank reconciliations. If segregation of duties is not feasible due to lack of staff, then compensating controls should be implemented which includes an employee not currently performing any of those functions providing oversight in those areas. Any oversight should be documented.

Sheriff's Response: Small Dept. & Not enough staff.

The Green County Sheriff's Office did not properly account for payments to transporting officers: This is a repeat finding and was included in the prior year audit report as Finding 2021-003. The Green County Sheriff's Office is not properly accounting for payments to officers for transporting prisoners and patients. The sheriff contracts with a community mental health center for transportation/transfer of mentally ill patients or patients with an intellectual disability between facilities. The sheriff pays officers to transport patients and the community mental health center reimburses the sheriff's office for these payments according to the contract terms. The sheriff also pays officers to transport prisoners according to court orders. The following deficiencies were noted when testing payments to transporting officers:

- The sheriff is maintaining insufficient supporting documentation for disbursements for transporting mental health patients. The sheriff only maintains the billing document that is submitted to the community mental health center requesting reimbursement for transport after disbursements to officers have already been made. No other log of hours worked, or documentation of the expenses incurred are maintained.
- The sheriff did not maintain adequate supporting documentation for prisoner transport.

The sheriff stated he was not aware that a log or other documentation for transport payments needs to be maintained. The sheriff did not know the requirements or best practice for accounting for payments to transporting officers.

These deficiencies could result in inaccurate reporting and misappropriation of assets. By not maintaining a log of hours worked by transporting officers, workers can be over or under compensated and the sheriff assumes the risk of workers disputing the amount paid. Further, the sheriff is not in compliance with contractual obligations.

Good internal controls dictate the sheriff should monitor disbursements to ensure adequate supporting documentation exists and to ensure compliance with state laws and contract agreements. The contract with the community mental health center states, "Green County Sheriff's Department agrees to provide a law enforcement officer (two, when necessary) to accompany, provide support, and transport, if necessary, persons charged with violating KRS 202 A/B in conjunction with diverting these individuals from Green County Jail."

In Funk v. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

We recommend the sheriff strengthen controls over disbursements to transporting officers to ensure payments are properly supported and to ensure compliance with state laws and contract agreements. Further, we recommend the sheriff maintain a log of transport officers' hours worked to support disbursements to officers.

Sheriff's Response: Timesheets for transportation have been utilized for the 2023 year following previous audit.

The Green County Sheriff's controls over payroll did not operate effectively: This is a repeat finding and was included in the prior year audit report as Finding 2021-004. The Green County Sheriff's controls over payroll did not operate effectively. The sheriff is not maintaining accurate leave balance reports for employees. Also, the sheriff pays transporting officers as contract workers; however, it appears the sheriff should treat these officers as employees. The following exceptions were noted during payroll testing:

- Leave balance reports maintained by the sheriff do not document employees' accrued sick leave balances.
- Leave balance reports are maintained in Excel and there is no evidence that the sheriff reviews these reports when he reviews and initials timesheets.
- The sheriff paid two state withholding payments late to the Department of Revenue.
- The sheriff does not have a written agreement and Form W-9, Request for Taxpayer Identification Number and Certification, on file for any of the transporting officers he pays as independent contractors.
- The sheriff underreported compensation on one transporting officer's Form-1099 by \$240.

- The sheriff paid an existing employee of the sheriff's office contract labor payments for transporting patients and prisoners instead of the hours worked being part of the employee's regular pay.

According to the sheriff, he was not aware a written agreement and signed Form W-9 is required to be on file for all independent contractors. In addition, the sheriff's office stated that this is a small office and employees take time off as needed.

By not ensuring that timekeeping records and leave balance reports are properly maintained, employees can be over or under compensated. The sheriff assumes the risk of employees disputing the number of hours worked and the amount of paid leave time they have available. Further, the sheriff is not in compliance with IRS regulations regarding employee and contract labor payments.

Due to the late payment of a payroll tax liability, the sheriff paid \$20 in late penalties and interest to the state.

Strong internal controls over payroll and timekeeping are vital in ensuring that payroll amounts are calculated, accounted for properly, and leave balances tracked accurately. Strong internal controls are also important in safeguarding the sheriff's assets and the employees that account for them, as well as helping make certain the sheriff is in compliance with state statutes and IRS regulations. Further, good internal controls dictate the sheriff should maintain a written agreement with any independent contractors of the sheriff's office.

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IRS Publication 15 (Circular E) states, "Generally a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done." According to IRS guidance, Form 1099-NEC should be filed to report payments of \$600 or more in one calendar year for services performed by someone who is not your employee. In addition, a Form W-9, Request for Taxpayer Identification Number and Certification, should be completed by the contractor and kept on file for four years.

We recommend the sheriff strengthen internal controls over the payroll process to ensure payroll amounts are calculated and accounted for properly and that employees working overtime are adequately compensated. We recommend the sheriff track and maintain accurate leave balance reports for all employees. Further, we recommend the sheriff consult with the county attorney concerning whether the sheriff may enter into a contract to transport individuals on behalf of a medical facility if that transportation is required by statute or court order, and whether employees of the sheriff's office should be classified as an employee or a contractor when transporting individuals pursuant to statute or court order. Lastly, we recommend the sheriff deposit personal funds of \$20 to reimburse the 2022 fee account for the disallowed penalties and interest charged on the late payment. This finding will be referred to the Kentucky Education and Labor Cabinet.

Sheriff's Response: We will correct.

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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