Auditor of Public Accounts
Mike Harmon

Harmon Releases Audit of Greenup County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2020 financial statement of Greenup County Sheriff Matt Smith. 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 Greenup 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 comment:

The sheriff's office does not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The sheriff's office does not have adequate segregation of duties. The sheriff's bookkeeper prepares deposits, writes checks, posts transactions to the receipts and disbursement ledgers, and prepares monthly and quarterly reports. Another employee did sign off on the bank reconciliations. The sheriff indicated this is caused by a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. A lack of oversight could result in misappropriation of assets and inaccurate financial reporting

to external agencies such as Department for Local Government (DLG) and fiscal court. Errors could occur and not be detected.

The segregation of duties over various accounting functions such as 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/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff's office segregate the duties involved in 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 could be implemented and documented by the individual performing the procedures.

County Sheriff's Response: I have implemented internal controls in the latter half of 2020 to hopefully prevent errors or any fraudulent acts that may occur in the Greenup County Sheriff's Office. Once again, my budget restricts me on staffing issues to have the appropriate manpower needed for extra segregation.

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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