



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Livingston County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Livingston County Sheriff Bobby Davidson. 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 Livingston 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 comments:

**The sheriff's office lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2015-003. The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper is required to perform multiple tasks such as the collection of cash from customers, the bookkeeping function, monthly reconciliations, the preparation of checks for disbursements, and the preparation of quarterly and annual reports. There is no independent review of these functions.

The sheriff has one full-time office employee and one part-time office employee. Additionally, compensating controls have not been implemented by the sheriff. A lack of segregation of these duties increases the risk that undetected errors or fraud could occur.

The proper segregation of duties over the accounting and reporting functions or the implementation of compensating controls, when necessary because of limited staff, is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff segregate duties to the extent possible as allowed by budget restrictions. For those duties that cannot be segregated, strong management oversight by the sheriff or designee could be a cost effective alternative. This oversight should include reviewing daily checkout procedures, monthly bank reconciliations, receipts and disbursements ledgers, and the quarterly reports. These procedures should be documented.

*Sheriff's Response: We do not generate enough revenue to hire enough employees to satisfy this request, but we do plan to examine each others work.*

**The sheriff overspent his approved budget:** The sheriff's operating disbursements exceeded his operating budget approved by the fiscal court by \$13,063. The sheriff received additional unbudgeted funds of \$29,934, but failed to amend his budget to increase operating disbursements.

The sheriff failed to monitor operating expenses during calendar year 2016. The sheriff overspent his operating budget by \$13,063, therefore the fiscal court was deprived of \$13,063 in excess fees.

KRS 68.210 states, "[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe. . .a system of uniform accounts for all counties and county officials." The *County Budget Preparation and State Local Finance Officer Policy Manual* requires, "the fiscal court approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15 of each year."

We recommend the sheriff monitor his budget throughout the year and request budget amendments as necessary from the fiscal court, before year end.

*Sheriff's Response: We failed to amend our budget, therefore it made our budget looked as if we overspent.*

**The sheriff did not pay invoices from the correct fee account:** The sheriff paid invoices totaling \$11,542 that were for January 2017 transactions from of the 2016 fee account. The bookkeeper did not note the date of purchase on the invoice. Additionally, there were no internal controls in place to detect this error. Paying 2017 expenses from 2016 monies caused the fiscal court to be denied excess fees of \$11,542 for calendar year 2016.

KRS 134.192(11) states, "the sheriff shall file annually with his or her settlement: (b) A complete statement of all expenditures of his or her office, including his or her salary, compensation of

deputies and assistants, and reasonable expenses. KRS 134.192(12) states, “[a]t the time he or she files the statements required by subsection (11) of this section, the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office[.]” Additionally, good internal controls dictate a review of expenses by the sheriff prior to payment.

We recommend the sheriff reimburse the 2016 fee account \$11,542 from the 2017 fee account. These funds should then be paid from the 2016 account to the fiscal court as additional excess fees due for calendar year 2016. We also recommend the sheriff review disbursements prior to payment to ensure validity and allowability.

*Sheriff's Response: This amount of excess fees were paid back to fiscal court.*

**The sheriff's office did not make daily deposits:** The sheriff's office did not make daily deposits. Instead, the sheriff's office would hold the money in a locked cabinet until end of week or when feasible to make the deposit. There is no oversight over the deposits on a daily basis. Additionally, there is no bank in the county seat of Smithland, where the courthouse is located. Failure to make daily deposits resulted in noncompliance with KRS 68.210. As a result, the opportunity for the misappropriation or theft of receipts increases.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* requires all public officials to prepare daily checkout sheets and make daily deposits intact into a federally insured financial institution.

We recommend the sheriff comply with KRS 68.210 by making deposits daily.

*Sheriff's Response: We make daily deposits. Some days we failed to get the deposits to the bank.*

**The sheriff failed to maintain required accounting records for the drug fund or donation account:** The sheriff did not maintain proper accounting records for his drug fund or donation account. Receipts and disbursements ledgers were incomplete. There was not adequate documentation to support all monies received. There was no documentation of the purpose for a \$7,100 donation. There were no court orders on file to substantiate deposits into the drug account. Additionally, the sheriff cashed out one charitable donation and purchased items for “shop with a cop.”

The sheriff failed to require supporting documentation be maintained for the drug fund and donation account. Additionally, there is a lack of discernment over allowable donation account activity.

Allowability of disbursements of the drug fund and donation account cannot be verified since supporting documentation of the receipts was not maintained. Additionally, the sheriff was not in compliance with KRS 68.210 or KRS 134.160,

KRS 68.210 authorizes the State Local Finance Officer to establish minimum accounting requirements for handling public funds. These requirements include maintaining receipts and

disbursements ledgers, as well as documentation to support all monies received and expended. Also, KRS 61.310(8)(a) states, “[a] sheriff may accept a donation of money or goods to be used for the public purposes of his or her office if the sheriff establishes a register for recording all donations that includes, at a minimum:

1. The name and address of the donor;
2. A general description of the donation;
3. The date of acceptance of the donation;
4. The monetary amount of the donation, or its estimated worth; and
5. Any purpose for which the donation is given.

The register shall constitute a public record, be subject to the provisions of KRS 61.870 to 61.884, and be made available to the public for inspection in the sheriff's office during regular business hours.”

We recommend the sheriff comply with KRS 68.210 and KRS 61.310(8)(a) by maintaining proper accounting records for all funds handled by the sheriff's office.

*Sheriff's Response: We will keep better detail records of accounts.*

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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