



Auditor of Public Accounts  
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### **Harmon Releases Audit of Marion County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2018 financial statement of Marion County Sheriff Jimmy Clements. 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 Marion 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 Marion County Sheriff's Office lacks adequate segregation of duties:** This is a repeat finding and was included in the prior year audit report as Finding 2017-002. The sheriff has implemented some compensating controls to reduce the risk of material misstatement, but not all controls were effective or applied consistently. The sheriff's bookkeeper, along with another employee, collects payments from customers and prepares receipts. At the end of each day, a daily checkout sheet is prepared from the manual receipts issued for that day. The deputy clerk prepares the daily checkout sheet and deposit ticket. The bookkeeper inputs the daily checkout sheet into the receipts ledger, receives invoices, posts to the disbursements ledger, prepares and signs the

disbursement checks, and prepares the monthly bank reconciliation. The sheriff reviews and initials the daily checkout sheets, daily bank deposit tickets, and the monthly and quarterly receipts ledgers. This control was not applied consistently during calendar year 2018. Auditors noted errors in receipts testing that should have been prevented or detected by properly implemented internal controls. The sheriff reviews all invoices, signs all disbursement checks, reviews the monthly bank reconciliations, and reviews and sign the quarterly reports when compared to the receipts and disbursements ledger. This control was not applied consistently during calendar year 2018. Auditors noted errors in disbursements that should have been prevented or detected by properly implemented internal controls. Furthermore, because the sheriff's office uses a debit card for some purchases, review of the bank statements and bank reconciliations should be implemented to address the risk associated with this type of transaction. There was no evidence of review of invoices, bank reconciliations, or comparison to ledgers.

According to the sheriff, due to the limited staff size and cost to hire additional staff in the sheriff's office, segregation of duties is not possible. The sheriff has implemented some compensating controls to help offset the lack of segregation of duties, but the controls were not effective because they were not applied consistently during calendar year 2018.

Without segregation of duties, the risk of material misstatements significantly increases because undetected errors and theft can occur.

Strong internal controls and procedures are vital to ensure proper segregation of duties over collection, reporting, depositing, disbursing, and reconciling receipts and disbursements. If segregation of duties is not possible, effective compensating controls should be put in place, applied consistently, and evidenced.

We recommend the sheriff adequately segregate duties to prevent the same person from having a significant role in the receiving, processing, recording, and reporting of receipts and disbursements. If this is not feasible, then cross checking procedures could be implemented and documented by the individual performing the procedure. To further strengthen compensating controls, we recommend the sheriff initial the daily bank receipt after comparison to the daily bank deposit, initial supporting documentation to disbursement checks, and initial the bank reconciliation after comparison to the balance in the checkbook. We further recommend the sheriff review bank statements showing debit card transactions and compare these to supporting documentation. The review should be evidenced in writing.

*County Sheriff's Response: No response.*

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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