



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of McCracken County Sheriff's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the July 1 – December 31, 2018 financial statement of McCracken County Sheriff Matt Carter. 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 McCracken 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 McCracken County Sheriff's fourth quarter financial statement was materially inaccurate:** The McCracken County Sheriff's fourth quarter financial statement, for the period July 1, 2018 through December 31, 2018, was materially inaccurate. The receipts were overstated by \$686,699 and disbursements were overstated by \$637,044. Adjustments were required so that the fourth quarter financial statement would match the sheriff's ledgers.

This was due to an error when preparing the fourth quarter financial statement that was presented to fiscal court. The financial statement that was approved by fiscal court included the first and

second quarters of the year. These receipts and disbursements occurred under the prior sheriff and are reported separately. The third and fourth quarter receipts and disbursements were accurate, but because the financial statement included the first and second quarters, the financial statement was materially misstated.

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. Fee officials use a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws. Each period stands alone in accounting for receipts and disbursements and should be accounted for accordingly in each audit period.

We recommend the McCracken County Sheriff's office maintain accurate financial reports, and separate receipts and disbursements by audit period in the future.

*Sheriff's Response: Our purpose in preparing the 4th Quarter Financial Statement, as with any end-of-year financial statements prepared by a company or agency, was to report our office's annual revenue and how those proceeds were disbursed so that the end user, primarily the McCracken County Fiscal Court, would have an accurate and transparent representation of our office's financial position for their planning and oversight needs. It was the farthest thing from our thoughts that by preparing a financial statement to be complete for the whole year that we would be deemed non-compliant with any regulations or have a materially misstated report as if we were trying to mislead anyone interested in our office financial position. It is especially disappointing to our office to find that a financial statement that the auditor's office confirms was numerically accurate would have been compliant if it had only contained less information than it did.*

*The financial statement set forth by the Kentucky Department for Local Government for use by county clerks and sheriffs in the Commonwealth is referred to the 4th Quarter Financial Statement. The report is divided into each quarter of the year, and it is submitted to the State Local Finance Officer at the end of each quarter. At the end of the year, the completed report displays all receipts and disbursements of the office, divided into columns for each quarter in which they were received and disbursed, with a final column showing the total of all revenues and expenditures for the full year.*

*As mentioned in the auditor's comment, the financial statement we presented to fiscal court was accurate in all amounts, but was deemed misstated because it included the full year of receipts and disbursements. To be accurate based on the auditor's standpoint, our office should have only presented a financial statement displaying the receipts and disbursements of the last two quarters of 2018 after I became sheriff when former sheriff Jon Hayden retired at June 30, 2018. However, KRS 64.830 dictates that "an outgoing county official...shall...deliver to his successor all books, papers, records and other property held by virtue of his office." It is therefore not unreasonable for one to interpret from this that the records delivered to me which detailed the amounts received and disbursed during the first half of the year during Sheriff Hayden's time in office could not be used to complete a financial statement that is to be prepared on a calendar year basis. To the extent of our limited findings, The Department for Local Government's County Budget Preparation and State Local Finance Officer Policy Manual noted in the auditor's comment only states that . . ."KRS*

*424.220 requires public officers who receive or disburse public funds to prepare an itemized, sworn statement of all funds collected, received, held, or disbursed during the fiscal year." We could not find anything that specifically alerted us to the idea that we could not include the full year's amounts even though I was only responsible for a portion of those amounts. We also found minimal guidance in our research of various state statutes and policy manuals to direct us in preparing our financial statement in the situation that an outgoing official leaves office in mid-year when the reporting cycle is incomplete.*

*It is with humble apologies that we have received the audit finding that our 4th Quarter Financial Statement was material misstated. We find it much easier to accept, though, knowing that the numbers we reported were correct and the report was only deemed misstated because we included too much information. It was only after the auditor adjusted our financial statement to remove the first-half of the year's receipts and disbursements that it became misstated but also much less useful to our governing body, the fiscal court. We do understand some of the foundation of the auditor's comment being based on the fact I was not responsible for the first- half of the year's receipts and disbursements and therefore should not include them on "my" financial statement, but I prefer to think of our office as a cumulative team of great men and women that works year-round and doesn't just revolve around me. Being as the financial statement was easily broken down into quarters of the year, anyone reviewing it could have easily seen the amounts I was personally responsible for as opposed to what existed to the date I took office. At any rate, I hope the public and our governing bodies can see that, even when it is determined to be in error, my ultimate goal as sheriff is to always be as accurate and transparent as possible with any information involving our office.*

Auditor's Reply: The Auditor of Public Accounts was engaged by the McCracken County Sheriff, Matt Carter, to complete an audit of his financial statement for the period July 1, 2018 through December 31, 2018. The period of January 1, 2018 through June, 30, 2018 was completed under a separate audit of the former sheriff. In addition, per KRS 64.830 and KRS 134.192(11) the two audit periods should have had separate settlements.

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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