



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of McLean County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of McLean County Sheriff Kenneth Frizzell. 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 McLean County Sheriff in accordance with accounting principles generally accepted in the United States of America. The McLean County Sheriff did not maintain adequate accounting records of fee account receipts and disbursements to allow the auditor to validate fee account receipts and disbursements, which resulted in a high level of audit risk. Based upon the assessment of audit risk, the audit risk was too high to issue an opinion and the auditor was unable to apply other audit procedures to overcome this risk.

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 McLean County Sheriff failed to implement adequate internal controls over accounting functions and failed to properly maintain accounting records. The McLean County Sheriff's bookkeeper performed all accounting functions with no oversight. The bookkeeper collected funds from customers and posted to daily check out sheets. However, no one verified daily check out sheets against bank deposits. There were no ledgers maintained to support amounts recorded by the bookkeeper on the fourth quarter report. The bookkeeper failed

to keep minimum required accounting records as prescribed by the Department for Local Government (DLG).

KRS 68.210 gives the state local finance officer authority to prescribe a uniform system of accounts, which sets certain minimum accounting requirements for local officials. At a minimum, the books of accounts required by the uniform system of accounts that apply here are a cash receipts ledger, a check distribution register, a general ledger, and a cash disbursements ledger. KRS 64.100 requires each sheriff to “keep an accurate account of all fees collected by him from all sources.” Additionally, good internal controls dictate segregation of duties or oversight of incompatible duties.

The sheriff is not meeting statutory requirements because his bookkeeper lacked the skills and training to competently perform the duties necessary to keep records in compliance with DLG’s requirements. This control deficiency was due in part to the fact that no one was reviewing or ensuring that her work was done properly or timely.

The following instances of noncompliances are detailed in the subsequent findings:

- The sheriff did not maintain receipts and disbursements ledgers.
- The sheriff overspent the approved budget for calendar year 2015.
- The sheriff’s third quarter report of calendar year 2015 was not submitted to DLG.
- The sheriff’s fourth quarter report of calendar year 2015 was significantly misstated and not submitted to DLG until August 2016.
- The sheriff’s official bank account was not reconciled to financial records.
- The sheriff failed to reimburse the full amount of his state advancement timely.

Incomplete financial reports can lead to improper financial decision making, as well as increase the risk of undetected errors or fraud. Due to the lack of financial records, a disclaimer of opinion was issued on the McLean County Sheriff’s financial statement.

We recommend the sheriff monitor accounting activities to determine that financial records are properly maintained and that required financial reports are properly prepared and submitted. Additionally accounting functions should be segregated or compensating controls such as independent review and verification be enacted. The sheriff’s bookkeeper should receive training in order to obtain skills relevant to accounting job duties.

Sheriff Kenneth Frizzell’s response: Being new to this office and having a new book keeper we were unaware of additional ledgers to be kept, proofs of reconciliation, and what/when reports were due. Though there were mistakes in how we kept our records by the Commonwealth’s standards for accounting, our records did reflect every penny accounted for. We feel that with better communication and training from the Commonwealth as to how it wants reporting done many of these errors would have been avoided. As it stands right now we must search the KAR and KRS to find this information which is like looking for a needle in a haystack. However since being made aware of our short comings during this audit, we have made the necessary changes in how we keep our records to meet the Commonwealth’s standards.

Auditor's Reply: The Auditor of Public Accounts (APA) does not prescribe accounting standards the fee officials are required to follow. However, the APA does audit compliance with those standards. If there are questions about accounting records requirements, the McLean County Sheriff should contact the Department for Local Government, which is the governing body that sets the minimum accounting standards per KRS 68.210.

The McLean County Sheriff did not maintain proper receipts and disbursements ledgers and failed to properly reconcile accounts. The McLean County Sheriff's Office has not maintained proper receipts and disbursements ledgers. Reconciliation of the sheriff's 2015 bank account was not completed until after auditors arrived in August 2016. This control deficiency was caused by a lack of oversight of all accounting functions.

Not maintaining ledgers can result in the misappropriation of assets or incorrect financial reporting to external agencies such as the Department for Local Government. Lack of reconciliation of the bank account can cause cash to be misappropriated or cause the sheriff to be overdrawn in his official account.

KRS 68.210 gives the state local finance officer authority to prescribe a uniform system of accounts, which sets certain minimum accounting requirements for local officials. At a minimum, the books of accounts required by the uniform system of accounts that apply here are a cash receipts ledger, a check distribution register, a general ledger, and a cash disbursements ledger. Good internal controls dictate minimum accounting requirements be followed. We recommend the sheriff maintain receipts and disbursement ledgers in compliance with KRS 68.210 and verify that the official checking account is reconciled monthly.

Sheriff Kenneth Frizzell's response: See response in 2015-001.

Auditor's Reply: The Auditor of Public Accounts (APA) does not prescribe accounting standards the fee officials are required to follow. However, the APA does audit compliance with those standards. If there are questions about accounting records requirements, the McLean County Sheriff should contact the Department for Local Government, which is the governing body that sets the minimum accounting standards per KRS 68.210.

The McLean County Sheriff overspent the approved budget for calendar year 2015. The McLean County Sheriff's disbursements per bank records exceeded his approved budgeted disbursements for calendar year 2015 by \$3,712. The sheriff did not adequately monitor disbursements to ensure he would not exceed his approved budget. Failure to monitor the budget shows a lack of fiscal responsibility and places public funds at risk.

The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15th of each year. KRS 68.210 states that "[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." We recommend the sheriff not make disbursements that exceed his approved budget. The sheriff should monitor his budget

throughout the year and request budget amendments sufficient to cover actual expenses as necessary.

Sheriff Kenneth Frizzell's response: We feel the wording in this finding is greatly inaccurate. We did NOT overspend our 2015 Budget. We simply failed to amend our budget to reflect a money in, money out, situation because at the time we were unaware it was needed. It should be noted that we turned over to the fiscal court approximately \$8,000 more than what was budgeted to be turned over. The funds notated in the finding (\$3,712) once received were immediately given to fiscal court to supplement deputies salaries. \$3,712 was from one quarterly payment from HB 413 fund. HB 413 is a law that allows for an inter-local agreement between this office and incorporated cities of the county to receive state funds that are generated quarterly to supplement additional deputy salaries which had never been utilized until this year. Our 2016 budget was amended to reflect these receipts and disbursements. They were placed in the 2017 budget as well.

Auditor's Reply: When the McLean County Sheriff's office receives more funds than budgeted in a calendar year, a budget amendment must be obtained from the fiscal court in order to spend the additional funds. Otherwise these funds are due to the fiscal court as excess fees.

The McLean County Sheriff did not properly submit quarterly financial reports to the Department for Local Government. The sheriff did not properly submit quarterly reports to the Department for Local Government (DLG). As of this date, the sheriff still has not completed the third quarter report for the 2015 fee account. The fourth quarter report was not submitted until after August 1, 2016. Additionally, the fourth quarter report is significantly misstated.

Pursuant to KRS 68.210, the state local finance officer requires officials to submit quarterly reports to the Department for Local Government by the 30th day following the close of each quarter. Additionally, good internal controls dictate review of required reports by the responsible official.

There was no oversight by the sheriff to ensure that quarterly reports were properly submitted to DLG, or that amounts reported were correct. Failure to submit required reports prevents proper oversight from DLG and could result in undetected errors, misstatements, or fraud for a significant time period.

We recommend the sheriff require accurate quarterly reports be submitted to DLG and ensure that all reports are submitted timely in the future.

Sheriff Kenneth Frizzell's response: See response in 2015-001.

Auditor's Reply: The Auditor of Public Accounts (APA) does not prescribe accounting standards the fee officials are required to follow. However, the APA does audit compliance with those standards. If there are questions about accounting records requirements, the McLean County Sheriff should contact the Department for Local Government, which is the governing body that sets the minimum accounting standards per KRS 68.210.

The McLean County Sheriff failed to pay back the sheriff's advancement timely. The sheriff did not keep proper receipts and disbursements ledgers. Due to a lack of proper accounting records, the sheriff was not aware of the total amount of state advancement that was owed back to the state. The sheriff repaid \$5,270 less than was owed. The sheriff repaid the additional funds owed in August 2016.

KRS 64.140(1) states, “[a]t the end of each calendar year the sum of such advancements shall be deducted from the part of the total of fees and commissions paid into the State Treasury by the sheriff[.]” We recommend the sheriff repay the state advancement timely to be in compliance with KRS 64.140.

Sheriff Kenneth Frizzell's response: We called the state advancement office to double check that we had paid back all the advancement. At that time they said we had paid in full. They mistakenly overlooked the last portion of \$5,270 and we did as well. Once the error was discovered we immediately paid back the funds and the error was corrected for both parties.

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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