



Auditor of Public Accounts
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Harmon Releases Audit of McLean County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 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 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 internal control over financial operations and reporting.

The audit contains the following comments:

The McLean County Sheriff lacks adequate internal controls over the financial reporting function: The following internal control issues and noncompliances were noted with the McLean County Sheriff's financial reporting function:

- The sheriff's office lacks adequate segregation of duties over financial reporting. One deputy performs the bookkeeping function, along with preparing the monthly and quarterly reports, without effective compensating controls.

- Receipts and disbursements ledgers were not properly maintained to support the Fourth Quarter Financial Report amounts as required by KRS 68.210 and KRS 43.075. As a result, audit adjustments had to be made in order to accurately reflect financial statement amounts.
- Adequate backup procedures were not performed on electronic financial records, resulting in the loss of financial data.

There was a breakdown in the sheriff's internal controls over financial reporting. There was no oversight or review of the sheriff's ledgers or financial reports prior to submission. This breakdown of internal controls resulted in the loss of financial data which caused erroneous financial statements to be submitted to the Department for Local Government. Additionally, there was a waste of resources, since the bookkeeper had to spend time trying to recreate the lost financial data that was not properly backed up.

Strong internal controls, including segregation of duties and daily back-up procedures, are vital in ensuring that financial reports are accurately stated and properly supported. Strong internal also help ensure compliance with state statutes including KRS 68.210, which sets the minimum accounting requirements including original books of entry for receipts and disbursements, and KRS 43.075, which requires "accurate recording of receipts by source and expenditures by payee..." Strong internal control, including proper segregation of duties, also protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff strengthen internal controls over the financial reporting function by properly segregating duties and implementing effective backup procedures. By segregating duties associated with financial reporting, or implementing effective compensating controls such as management oversight, the sheriff can reduce the risk of inaccurate financial reporting. By implementing effective daily backup procedures, the sheriff can reduce the risk of the loss of financial records. Additionally, the sheriff or his designee should review the quarterly financial statements to determine if they agree to the underlying supporting ledgers, prior to submission.

Sheriff's Response: Everything is being entered daily & printed out each month & copies being filed. Also the daily receipt sheets from the clerks are kept & compared out the spread sheets as well as the bank account.

The sheriff overspent his approved budget for calendar year 2017: The sheriff's disbursements, per bank records, exceeded his approved budgeted disbursements for calendar year 2017 by \$18,181. 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 the 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's Response: We amended our 2017 budget but it was on 2-18. We did not realize we needed to amend the budget prior to 12-31-17. In the future, we will always make sure of we have to amend the budget we will do this within the year we are making the amendment.

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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