



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Metcalfe County Sheriff Rondal Shirley. 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 Metcalfe 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 Metcalfe County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, payroll, and reconciliations. This is a repeat issue and was included in the prior year report as findings 2015-002 and 2015-003. The sheriff's office manager/bookkeeper collects receipts, prepares deposits, prepares daily checkout sheets, prepares and signs checks, and prepares financial statements and monthly reports. She also posts to the ledgers, reconciles the bank statements, and processes payroll and withholdings reports to the appropriate agencies. The sheriff has instituted some review processes over receipts, such as periodic documented

reviews of daily checkouts and deposits by other office staff. However, no documented evidence of reviews over ledgers, monthly reports, bank reconciliations, or payroll reports was found.

This condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

The lack of oversight could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies such as Department for Local Government. A lack of segregation of duties and insufficient oversight allowed undetected errors in the disbursements ledger, resulting in a difference of \$17,951 between the disbursements ledger and quarterly report.

The segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff separate the duties involving receipts, disbursements, payroll, preparation of monthly reports, preparation of financial reports, and bank reconciliations. If this is not feasible due to lack of staff, then strong oversight over those areas should occur and involve an employee not currently performing any of those functions. Additionally, the sheriff could also provide the oversight. The individual providing the oversight should initial source documents as evidence of this review.

Sheriff's response: We are implementing several things to try and get away from this.

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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