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

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2022 financial statement of former Ohio County Sheriff Tracy Beatty. 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 former Ohio County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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 finding:

**The former Ohio County Sheriff's Office did not have adequate segregation of duties:** In calendar year 2022, the former Ohio County Sheriff's Office did not have adequate segregation of duties. The bookkeeper was required to perform multiple tasks such as the collection of cash from customers, the bookkeeping function, monthly bank reconciliations, and the preparation of the monthly and quarterly reports. To offset this lack of segregation of duties, the former sheriff implemented compensating controls such as review of daily receipts and comparisons to deposits and the receipt ledger, a review of monthly bank reconciliations, and strong management oversight. Compensating controls were not sufficient nor effective, however, due to the former

sheriff's signature being forged on one month's excess fee payment. The check was properly received and deposited by the fiscal court.

According to the former sheriff, the lack of segregation of duties is caused by the diversity of operations with a limited number of staff. Also, the former sheriff was not aware his signature was forged on one month's disbursements. A lack of compensating controls increases the risk that errors could occur and not be detected.

Segregation of duties, or the implementation of compensating controls, when limited by the number of staff, is essential for providing protection against the misappropriation of assets and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend that to adequately protect against the misappropriation of assets and financial reporting, the sheriff's office segregate duties noted above to the extent allowed by budget restrictions. For those duties that cannot be segregated due to a limited number of staff, we recommend the current sheriff implement strong management oversight and ensure compensating controls are implemented and effective.

*Former Sheriff's Response: The lack of segregation of duties is caused by the diversity of operations with a limited number of staff which is limited also by the Sheriff's budget. As Sheriff I installed a camera system in the Sheriff's office which were intended to protect the taxpayer and to ensure that money collected was counted correctly by the Sheriff's Office staff.*

*Hiring extra staff in the Sheriff's Office would help limit oversights and reduce the risk of errors and fraud. This is difficult to do with a limited budget to hire extra personnel. As Sheriff I continued to monitor the collection closely on a daily basis.*

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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