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Harmon Releases Audit of Former Rockcastle County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of former Rockcastle County Sheriff Mike Peters. 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 Rockcastle 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 comments:

The former Rockcastle County Sheriff's Office did not obtain bids when required: This is a repeat finding and was included in the prior year audit report as Finding 2017-002. The former sheriff did not advertise for bids on purchases over \$20,000. The former sheriff purchased three vehicles out of his federal forfeiture account from an out of state vendor at a cost of \$35,667 plus a trade in vehicle, without bidding. Furthermore, during the calendar year the sheriff's office purchased a total of \$36,094 of gasoline without bidding.

According to the former sheriff, he was unaware that the vehicle or gasoline purchases would have to be advertised for bid. By limiting competition or not receiving bids at all, the sheriff may not get the benefits of the best price available. Competitive bidding ensures the sheriff procures equipment and services at the best price available. The former sheriff is not in compliance with KRS 424.260(1).

KRS 424.260(1) states in part, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

We recommend the sheriff’s office follow proper bid laws by ensuring all applicable purchases are made in compliance with KRS 424.260.

Former Sheriff’s Response: The former sheriff did not provide a response.

The former Rockcastle County Sheriff’s office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The former sheriff’s office lacked adequate segregation of duties over receipts, disbursements, and reconciliations. Two employees are responsible for all financial aspects of the sheriff’s office. One employee collects money, issues receipts, prepares daily checkout sheets, prepares the bank deposit, and prepares and co-signs checks. The second employee prepares the receipts and disbursements ledgers, monthly bank reconciliations, and the financial reports.

According to the former sheriff, the lack of segregation is due to budget constraints which restrict his ability to hire additional employees. Inadequate segregation of duties could result in the misappropriation of assets and inaccurate financial reporting.

Proper segregation of duties is essential to protect the sheriff’s office against misappropriation of assets and inaccurate financial reporting, while also protecting employees in the normal course of performing their job responsibilities.

We recommend the sheriff’s office segregate the receipt, disbursement, and reconciliation processes of the office. If this is not feasible because of the limited number of staff and budget restrictions, we recommend the sheriff’s office implement compensating controls to offset this weakness.

Former Sheriff’s Response: The former sheriff did not provide a response.

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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