



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Todd County Sheriff Tracy White. 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 Todd 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 non-compliance 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 Todd County Sheriff did not process daily receipts properly. The Todd County Sheriff's Office did not perform daily checkout procedures for the last five months of the year and was not making deposits timely. Only manual receipts and a receipts ledger were being maintained by the former bookkeeper for the months of August through December 2015. Some of the deposits were also not being deposited into the bank until approximately two weeks after the money had been collected. The sheriff failed to ensure the bookkeeper was following the required daily checkout procedures. Without daily checkout procedures, the sheriff cannot

ensure that sufficient documentation is maintained to substantiate timely, intact deposits and accurate posting to the receipts ledger.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, requires all public officials to prepare daily checkout sheets and deposit receipts intact and daily into a federally insured financial institution.

We recommend the sheriff ensure checkout sheets are prepared daily and agree to the manual receipts and amounts entered into the receipts ledger. We also recommend deposits be made intact daily.

Sheriff's Response: The former bookkeeper failed to perform this job duty even after being advised to do so. On December 19, 2015 the former bookkeeper was terminated for failing to perform this and other job duties.

The Todd County Sheriff's Office lacks adequate segregation of duties over receipts and reconciliations. The Todd County Sheriff has not implemented proper segregation of duties over the account processes for collecting receipts and preparing reconciliations. The bookkeeper is the only person responsible for collecting money from customers, preparing the daily checkout sheets, preparing the daily deposits, recording receipts to the ledgers, and preparing monthly reconciliations.

A lack of segregation of duties exists over receipts and reconciliations at the sheriff's office because a limited number of employees are available to properly segregate these job duties. A lack of segregation of duties could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

Segregation of duties or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and misappropriation of assets.

We recommend the sheriff segregate the duties over receipts and reconciliations in order to adequately protect employees in the normal course of performing their duties and to help prevent misappropriation of assets and inaccurate financial reporting. If the sheriff cannot segregate duties, we recommend the sheriff implement compensating controls over these processes to mitigate the risks.

Sheriff's Response: The Todd County Sheriff's Office does not have the funds to hire additional office staff to eliminate this problem. Also compensating controls have been implemented to assist in solving this issue.

The Todd County Sheriff's quarterly financial report was not materially accurate. The Todd County Sheriff's fourth quarterly financial report for calendar year 2015 was materially misstated. Fee receipts were understated by \$123,000 and disbursements were overstated by \$206,000. The sheriff fired the bookkeeper on December 18, 2015, leaving a new bookkeeper responsible for preparing the year-end report. The sheriff failed to ensure the fourth quarterly financial report completed by the new bookkeeper was complete and accurate. By not having a materially accurate financial statement, the sheriff's fourth quarterly financial report submitted to the Department for Local Government did not accurately report the financial activities of the sheriff's office for calendar year 2015.

Good internal controls require the fourth quarterly financial report be supported by the receipts and disbursements ledgers, which are reconciled to the bank records. By doing so, the bookkeeper can ensure that reports are accurate and that all financial information has been included. We recommend the sheriff ensure all receipts and disbursements on the ledgers be properly reported on the quarterly financial reports to ensure proper reporting to the Department for Local Government.

Sheriff's Response: The new bookkeeper was hired and was not familiar with all office processes. From the time the new bookkeeper was hired and the time this report was submitted, the new bookkeeper has now since learned the process.

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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