



Auditor of Public Accounts
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Harmon Releases Audit of Whitley County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Whitley County Sheriff Todd Shelley. 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 Whitley 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 comments:

The Whitley County Sheriff's Office does not have adequate segregation of duties: The Whitley County Sheriff's Office does not have adequate segregation of duties. The Whitley County Sheriff's bookkeeper collects payments from customers, posts transactions to the receipts ledger, writes checks, posts checks to the disbursements ledger, and prepares monthly and quarterly reports.

A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government (DLG).

According to the sheriff, the office has a limited number of employees that prevents an adequate segregation of duties over most accounting functions of the office. The segregation of duties over various accounting functions such as opening mail, 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 Whitley County Sheriff's Office separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers to separate individuals. If this is not feasible due to a limited budget, cross checking procedures should be implemented and documented by the individual performing the procedures.

Sheriff's Response: The official did not provide a response.

The Whitley County Sheriff's fourth quarter report was not accurate: The Whitley County Sheriff's Office fourth quarter report/annual settlement as submitted to the Department for Local Government (DLG) and to the Whitley County Fiscal Court did not materially agree to bank statement activity.

The fourth quarter report/annual settlement was submitted to DLG without including receivables and liabilities. Receipts were understated by \$69,824 and operating disbursements were understated by \$79,117, resulting in receipts and disbursements reported to the regulating bodies and to the public to be inaccurate.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the sheriff to "Prepare a quarterly financial statement for the State Local Finance Officer." The manual also provides a format to be used when preparing the quarterly financial statement. This format includes reporting actual receipts and disbursements.

KRS 134.192(11) states in part, "...the sheriff shall file annually with his or her settlement: (a) A complete statement of all funds received by his or her office for official services..." and "(b) A complete statement of all expenditures of his or her office, including his or her salary, compensation of deputies and assistants, and reasonable expenses."

Strong internal controls over the reporting process is vital in ensuring the sheriff's financial reports accurately reflect the financial activity of the sheriff's office.

We recommend the Whitley County Sheriff's Office implement stronger internal controls over the financial reporting process to ensure all activity including receivables and liabilities are properly reported on the financial statement to comply with KRS 68.210 and KRS 134.192(11).

Sheriff's Response: The official 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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