



**Auditor of  
Public Accounts  
Allison Ball**

## Former Adair County Sheriff's Fee Account Audit

**FRANKFORT, Ky.** – State Auditor Allison Ball released the audit of the 2024 financial statement of Adair County Sheriff James Richard. 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 Adair 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.

### **Finding: Did not have adequate segregation of duties.**

The former Adair County Sheriff's Office lacked adequate segregation of duties and internal controls over receipts, disbursements, recordkeeping, review and approval, and reconciliations. The bookkeeper and deputy clerks collected all receipts. A deputy clerk prepared a daily bank deposit and reconciled the daily receipts to the daily collection report. The bookkeeper posted items to the receipts ledger, filed bank records, and performed bank reconciliations. There were dual signatures on fee account checks; however, the auditor observed there were single signers on drug account checks, and gasoline purchases were not paid by check. The disbursements not paid by check were paid online and bypassed the dual signature control. The bookkeeper prepared the monthly bank reconciliation, although there was nothing documented to determine who prepared the reconciliation or that it was reviewed by the former sheriff or another individual. The auditor also observed several bank statements were not on file at the former sheriff's office and had to be obtained from the bank.

### **Recommendations**

We recommend the Adair County Sheriff's Office implement internal controls and segregate duties as much as possible. Employees receiving payments deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and, in that case, the sheriff could take on the responsibility of preparing or reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, invoices, bank statements, and bank reconciliations to ensure financial records are complete and accurate. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control.

### **County Officials Response**

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

## **Finding: Did not have adequate controls over payroll process.**

The former sheriff did not have adequate controls in place over payroll processing. While the former sheriff signed payroll checks and most deputy timesheets, he did not implement effective controls over sick and vacation leave time balances, ensure all timesheets were approved by a supervisor, verify that employee hours and overtime earned matched hours paid, determine withholdings were paid and deducted from reconciliations, and process payroll in accordance with the Adair County Administrative Code.

## **Recommendations**

We recommend the Adair County Sheriff's Office implement strong and effective internal controls over the payroll account and payroll processing to ensure adherence to applicable laws, regulations, and the county's administrative code. The sheriff should:

- Properly reconcile the payroll account each month to zero.
- Ensure payroll amounts are transferred correctly from the fee account and paid to the appropriate entities.
- Ensure payroll amounts and leave benefits are paid properly to employees.
- Review underlying payroll records to ensure employees are paid the correct hours.
- Properly pay or write off any balance of leave of part-time employees.
- Maintain a leave log that documents leave accrual and use history.

## **County Officials Response**

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

## **Finding: Financial statement was materially misstated.**

The former Adair Sheriff's Office financial statement was materially misstated, and his office did not have adequate internal controls over financial reporting. The former Sheriff James Richard took office on October 1, 2024, but did not separate his financial activity from former Sheriff Joshua Brockman's activity for 2024. As a result, former Sheriff Richard's final report and settlement included Sheriff's Brockman's activity, which caused an overstatement of receipts and disbursements. Furthermore, former Sheriff Richard did not open new banking accounts. Instead, former Sheriff Brockman was removed, and former Sheriff Richard was added as an authorized signer for the 2024 sheriff's fee account, drug account, and payroll account without proper documentation of transfer. Furthermore, receivables and liabilities were not properly recorded on the fourth quarter financial statement.

## **Recommendations**

We recommend the Adair County Sheriff's Office strengthen internal controls over financial reporting in order to ensure the quarterly financial reports are complete and accurate. This should include a thorough review of financial reports, and a comparison to the receipts and disbursements ledgers and monthly bank reconciliations prior to submitting the reports to DLG. Reports and bank accounts should be separated by the sheriff who is reporting for the applicable period so that funds are not improperly comingled. Receivables and liabilities should be reported properly on the fourth quarter financial statement instead of manipulating the date to show them as occurring before December 31. Reviews must be documented in a way that indicates what was reviewed, by whom, and when. Signing off on inaccurate information does not provide internal control.

## **County Officials Response**

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

### **Finding: Improperly borrowed and repaid money between funds and audit periods.**

The Adair County Sheriff's Office borrowed funds from other accounts to meet payroll. During the review of the drug forfeiture fund, it was observed that former Sheriff Brockman had transferred \$4,000 out of the drug forfeiture account on August 27, 2024, to his 2024 fee account to pay payroll expenses. On December 30, 2024, former Sheriff Richard repaid the drug forfeiture fund \$4,000 to reimburse the forfeiture fund used by the former Sheriff Brockman to pay payroll. This reimbursement was not recorded on the drug forfeiture account ledgers.

### **Recommendations**

We recommend the sheriff's office only deposit drug forfeiture funds into the drug fund and not loan money to the fee account. We also recommend that the sheriff's office comply with KRS 134.160(5) and not use current year excess fees to pay subsequent year expenses. We also recommend that the sheriff's office obtain enough funding to meet payroll expenses through the appropriate sources, record all transactions in the drug forfeiture account's ledger, and strengthen controls over budget and cash flow management.

### **County Officials Response**

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

### **Finding: Overspent his overall approved budget.**

The former Adair County Sheriff's operating expenses exceeded the budget approved by the Adair County Fiscal Court. The Adair County Fiscal Court approved the former sheriff's budget for official expenses at \$1,059,352; however, the former sheriff expended \$1,089,342. The auditor observed a proposed budget amendment dated November 18, 2024, for \$23,000 for the expense of purchasing a new tax system. The auditor, however, could not ascertain from minutes of the fiscal court meetings whether this amendment had been approved because the minutes had not been recorded properly. The former sheriff facilitated a budget amendment on January 28, 2025. However, budget amendment was invalid since it was obtained after the end of the calendar year.

### **Recommendations**

We recommend the sheriff's office establish procedures to monitor the budget throughout the year and to request budget amendments as necessary from the fiscal court before year end.

### **County Officials Response**

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

### **Finding: Overspent his annual order setting maximum amount for deputies and assistants.**

The former Adair County Sheriff overspent his annual order setting maximum amount for deputies and assistants. The former Adair County Sheriff's payroll expenditures exceeded the maximum amount approved by the Adair County Fiscal Court. The Adair County Fiscal Court approved the former sheriff's annual order setting maximum amount for deputies and assistants at \$562,492; however, the sheriff expended \$577,363. The former sheriff requested an amendment to his annual order setting maximum amount for deputies and assistants, but it was approved after year end on January 28, 2025.

### **Recommendations**

We recommend the sheriff's office establish procedures to monitor the budget throughout the year and to request fiscal court amendments to the annual order setting the maximum amount for deputies and assistants as necessary before year end.

## County Officials Response

*Former 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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