



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of Green County Sheriff Robert Beard. 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 Green 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 Green County Sheriff's Office lacks adequate segregation of duties over all accounting functions: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The Green County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, payroll, and the reconciliation process. The sheriff's bookkeeper collects payments from customers, prepares deposits, prepares daily checkout sheets, writes disbursement checks, posts transactions to the receipt, disbursement, and payroll ledgers, reconciles the monthly bank statements, and prepares the monthly and quarterly reports. The sheriff has implemented some compensating controls, such as reviewing and initialing the daily checkout sheets, occasionally

reviewing and initialing the monthly bank reconciliations, reviewing and approving deputies monthly timesheets, reviewing and signing court security officers' timesheets, signing the monthly and quarterly reports, and signing all disbursements.

According to the sheriff, the office has a small staff with a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. A lack of oversight could result in undetected misappropriation of assets or inaccurate financial reporting to external agencies such as Department for Local Government (DLG). The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, preparing monthly bank reconciliations, preparing monthly and quarterly reports, approving timesheets, 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 sheriff should separate the duties involved in receiving cash, preparing deposits, writing disbursement checks, posting to ledgers, and preparing monthly bank reconciliations. If this is not feasible due to lack of staff, then strong oversight over those areas should occur and involve an employee not currently performing any of those functions. Additionally, the sheriff could also provide this oversight. The individual providing the oversight should initial the source document as evidence of the review.

County Sheriff's Response: Hired a full time clerk.

The Green County Sheriff did not have proper internal controls in place over the receipt process and did not make daily deposits as required: This is a repeat finding and was included in the prior year audit report as Finding 2017-002. The Green County Sheriff's Office does not have proper internal controls in place over the receipt process, which includes preparing manual receipts and making daily deposits. The sheriff's office manually prepares receipt forms for monies collected. The receipt forms do not include if the form of payment is check or cash. In addition, receipt tickets were not issued for all monies collected.

The Green County Sheriff also did not make daily deposits as required by the Department for Local Government (DLG) and receipts were not properly batched at the end of each day. There were, on average, three to four deposits made each month during calendar year 2018. The week of December 2, 2018 through December 8, 2018 was tested, and only one deposit was made during this week on December 4, 2018. The deposit contained checks dated from December 1, 2018 through December 4, 2018.

According to the sheriff, he did not require that the form of payment be included on the receipt form. He stated that deposits are made as needed, and not always on a daily basis. If receipts are not accounted for properly, it increases the risk of fraud or accounting errors. Without the form of payment being included on the receipt forms, the cash/checks per the manual receipts cannot be compared and reconciled to the cash/checks per the deposit ticket.

Good internal controls dictate that prepared manual receipts should include all relevant information such as date received, amount received, purpose of the payment received, and form of payment. This ensures proper accounting for receipts and reconciliation to the bank deposit.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. DLG's *County Budget Preparation and State Local Officer Policy Manual* requires "Daily deposits intact into a federally insured banking institution."

We recommend the sheriff require all receipt forms to include the date collected and the form of payment. Also, we recommend the sheriff reconcile each day's cash and checks per the manual receipts to the deposit ticket. In addition, we recommend the sheriff implement internal controls and provide appropriate oversight over the receipt process to ensure daily deposits are being made as required by DLG.

County Sheriff's Response: Lack of office help - Hired a clerk.

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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