



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Leslie County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Leslie County Sheriff Delano Huff. 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 Leslie 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 Leslie County Sheriff's quarterly report was materially misstated.** The sheriff's fourth quarter report was not an accurate representation of the financial activity of the sheriff's office for calendar year 2016. Multiple items were incorrectly classified and had to be adjusted to correct account classifications in order for the report to be accurate. In total, the receipts were misstated by \$102,518 and the disbursements were misstated by \$74,658. The fourth quarter report should accurately detail all of the fees collected and disbursed from the sheriff's fee account.

Due to lack of training, the sheriff's bookkeeper did not accurately post transactions to correct line items in the bookkeeping software. As a result, the fourth quarter report was 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 the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. These minimum accounting and reporting standards include preparation of an annual financial statement. Furthermore, good internal controls dictate sufficient training for accounting staff.

We recommend the sheriff implement internal controls to ensure all postings to the bookkeeping software are accurate and review the fourth quarter financial report for accuracy.

*Sheriff's response: The sheriff did not provide a response.*

**The Leslie County Sheriff's Office did not issue receipts for all auto inspections.** The sheriff's office collects fees for inspecting vehicles during the title application process. These funds should be deposited into the sheriff's official account and used for the official purposes of the office. During a two-month period, the sheriff's employees collected a total of \$65 in auto inspection fees but did not deposit the fees into the official bank account.

The sheriff's office lack of internal controls over the receipt process allowed auto inspections to be performed without issuing receipts to customers and without these funds being deposited.

The sheriff's office did not deposit \$65 into the fee account for the months July and August 2016 for auto inspections performed.

KRS 186A.115(2)(b) affixes the fee for automobile inspections at \$5, payable to the sheriff's office. In addition KRS 64.840(1) states "all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer[.]"

The sheriff's office should have collected an additional \$65 for auto inspections. We recommend the sheriff deposit personal funds of \$65 to the 2016 fee account for these auto inspections. The sheriff should implement controls to ensure that all receipts of the office are promptly deposited into the fee account.

*Sheriff's response: In response to the item regarding the absence of receipts for all vehicle inspections: Several of the vehicles in this county are purchased from one of 3 dealerships in Perry Co. All out of state vehicles purchased at these three dealerships are inspected at their respective lots and are done by the sheriff's office of that county (prior to being purchased). This can be confirmed by the county clerk. It is the response of the sheriff that ALL [sic] inspections performed by the Leslie County Sheriff's office is accounted for with a receipt.*

**Auditor's Reply:** The auto inspections were performed by the Leslie County Sheriff's office, and the fees should have been deposited into the sheriff's fee account.

**The Leslie County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, and reconciliations.** This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The sheriff's office lacks adequate segregation of duties over receipts, disbursements, and bank reconciliations. Deputy clerks may collect and issue receipts, prepare the daily checkout sheet, and prepare the daily deposit. The bookkeeper may also prepare the daily checkout sheet, post to the receipts ledger, prepare and sign disbursements, and prepare the monthly bank reconciliations.

According to the sheriff, the lack of adequate segregation of duties within the sheriff's office was the result of limited staff size which prevented the sheriff from segregating accounting duties to different individuals within the sheriff's office.

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

The segregation of duties over various accounting functions such as opening mail, preparing deposits, and recording receipts and disbursements, 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, or his designee, implement compensating controls to limit the severity of the lack of adequate segregation of duties. Examples of compensating controls include:

- The sheriff or his designee could periodically recount and deposit cash receipts. This review could be documented by initialing the daily checkout sheet and deposit ticket.
- The sheriff could review supporting documentation for all disbursements. This review could be documented by initialing the invoice.
- The sheriff could require two signatures on all checks, one belonging to the sheriff.
- The sheriff could receive bank statements unopened, and review for any unusual items prior to giving them to the individual performing the bank reconciliations.

*Sheriff's response: The sheriff did not provide a response.*

**The Leslie County Sheriff's Office lacks internal controls over payroll which resulted in disallowed overtime costs of \$7,887.** The sheriff is responsible for funding the payroll for his office. Each employee is responsible for preparing their own timesheets and submitting them to the sheriff for approval. After the sheriff approves timesheets, they are delivered to the county treasurer for payroll processing. The county treasurer processes payroll for the sheriff's office and the sheriff will remit payment for gross wages to the county treasurer. During calendar year 2016, the following was noted:

- Twenty-nine timesheets submitted to the county treasurer had signatures that the sheriff stated were not his.

- Two employees submitted timesheets that contained two 30-hour work days, which resulted in 60 hours of overtime for each employee. The sheriff stated that he only approved 8 hours of overtime for each employee.
- When comparing timesheets retained by the sheriff's office to the timesheets used by the county treasurer for payroll processing, timesheets for two employees appear to have been altered to include an additional 15 hours of overtime each.
- Two employees were paid for working numerous Saturdays and Sundays throughout the year when the sheriff states that the sheriff's office was rarely open on weekends.
- Two employees were paid a total of \$9,093, claiming a combined 594 hours of overtime, for calendar year 2016. Of this, 508 hours of overtime, resulting in \$7,887 of overtime costs, are disallowed based on an interview with the sheriff and one employee in which the employee admitted to not working overtime.

The sheriff failed to implement internal controls over the payroll process. The responsibilities of the payroll calculation and approval had been delegated to an office worker. As a result, most of the overtime reported on timesheets was not worked. Invalid overtime expenses are disallowed costs from the sheriff's fee account. In addition, by paying for overtime not actually worked, the sheriff's office did not have funds to spend on necessary disbursements for the sheriff's office. These were funds that could have been used by the sheriff's office for valid expenses during the year, such as law enforcement.

Good internal controls require that timesheets accurately reflect time actually worked by an employee, and that timesheets are reviewed and approved by the sheriff. In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Therefore, payroll should be adequately documented and necessary to operation of the office.

We recommend the sheriff implement procedures to review timesheets and document his approval by signature. Furthermore, the sheriff should deliver the timesheets directly to the person processing timesheets to ensure that timesheets cannot be manipulated after approval of the sheriff. The sheriff is responsible for ensuring these disallowed funds are deposited into the 2016 fee account. This finding will be referred to the Kentucky Office of the Attorney General and the Kentucky State Police.

*Sheriff's response: The 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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