



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2019 financial statement of Marion County Sheriff Jimmy Clements. 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 Marion 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 comment:

The Marion County Sheriff's Office does not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2018-001. The Marion County Sheriff's Office does not have adequate segregation of duties over receipts, disbursements, payroll, and reconciliations. The sheriff's bookkeeper collects payments from customers, 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 bookkeeper is also the only person trained and authorized to process biweekly payroll. The sheriff has implemented some compensating controls such as reviewing and initialing the daily checkout

sheets and the monthly and quarterly receipts ledger. The sheriff also reviews all invoices, signs all disbursement checks, reviews the monthly bank reconciliations, and reviews and signs the quarterly reports when compared to the receipts and disbursements ledger. These controls were not applied consistently during calendar year 2019, thus they were not sufficient to offset the lack of segregation of duties.

The lack of segregation of duties occurs because the sheriff has failed to segregate incompatible duties. The sheriff stated he cannot hire additional employees to allow segregation of duties due to budget limitations. Without segregation of duties, the risk of material misstatements significantly increases because undetected errors and theft can occur. Also, as a result errors occurred in disbursements and benefit account transfers for payroll liabilities that should have been prevented or detected by properly implemented internal controls.

Strong internal controls and procedures are vital to ensure proper segregation of duties over collection, reporting, depositing, disbursing, and reconciling receipts and disbursements. If segregation of duties is not possible, effective compensating controls should be put in place, applied consistently, and evidenced.

We recommend the sheriff adequately segregate duties to prevent the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. If this is not feasible, then cross checking procedures could be implemented and documented by the individual performing the procedure. We also recommend having a second person trained and available to process payroll as an internal control safeguard and to reduce the need for estimated payroll transactions.

County Sheriff's Response: None.

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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