



**Auditor of  
Public Accounts  
Allison Ball**

## **Metcalf County Sheriff's Fee Account Audit**

**FRANKFORT, Ky.** – State Auditor Allison Ball released the audit of the 2024 financial statement of Metcalfe County Sheriff Lonnie Hodges. 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 Metcalfe 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: Lacks adequate controls over payroll.**

The Metcalfe County Sheriff's Office lacks adequate controls over the payroll process. During calendar year 2024, controls over payroll failed to discover posting errors to payroll categories on the disbursement ledger, errors in calculating net pay and employee withholdings, and errors in reporting wages and withholdings to reporting agencies. As a result of inadequate payroll controls, the following deficiencies were noted:

- The sheriff was overpaid \$470 compared to the maximum annual amount set by the Department for Local Government (DLG).
- One-time lump sum payments to two deputies for compensatory time earned exceeded the 50-hour maximum payout allowed per the sheriff's personnel policies. One deputy received a one-time lump sum payment for 147 compensatory hours earned and another received a one-time lump sum payment for 117.75 compensatory hours earned.
- The sheriff's office overpaid the fiscal court \$154 for employee insurance withholdings and underpaid the fiscal court \$515 for employee retirement withholdings during the year.
- Federal Form 941, Employer's Quarterly Federal Tax Return, was not prepared correctly and payments were not made timely. Liabilities were reported on incorrect dates and federal wages, taxable Social Security and Medicare wages, federal withholding, and FICA liabilities were overstated for the year. Forms 941 for all four quarters contain miscalculated balances due, which resulted in a total overpayment of \$791 for the year to the Internal Revenue Service (IRS).
- The sheriff received overpayment notices and refund checks totaling \$985 from the IRS for the overpayment of Form 941 liabilities. The sheriff's office returned these checks to the IRS.
- Kentucky Form K-1, Employer's Return of Income Tax Withheld, was not prepared correctly. Gross wages were overstated by \$133,726 for the year and employee state tax withholding was overpaid to the Kentucky Department of Revenue by \$622.
- City of Edmonton Quarterly Occupational Tax Returns were not prepared correctly. Gross wages were overstated to the city by \$1,800 for the year and employee city tax withholding was overpaid by \$36.
- Metcalfe County Occupational Tax Returns were not prepared correctly. Gross wages were overstated by \$3,800 for the year and employee county tax withholding was overpaid by \$24.
- Corrections to payroll after checks have been issued are not entered correctly into the payroll software, resulting in payroll ledgers not agreeing to employees' Form W-2 or the sheriff's disbursement ledger. Payroll ledgers overstated employee gross wages by \$3,993 and employee withholdings by \$1,034.

- One employee's Form W-2 was not prepared correctly. Local wages were understated by \$600.

## Recommendations

We recommend the sheriff's office strengthen internal controls over the payroll process to ensure payroll is posted correctly on the disbursement ledger, payroll tax reports are accurate, and the correct amount of payroll tax liabilities are paid to reporting agencies. Further, we recommend the sheriff adhere to his policy and procedure manual regarding payouts of accumulated compensatory time. In addition, we recommend the sheriff pay the fiscal court the \$470 he was overpaid for calendar year 2024.

## County Officials Response

*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](#).

