



Auditor of Public Accounts
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Edelen Releases Audit of Magoffin County Sheriff's Office

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2012 financial statement of Magoffin County Sheriff Carson Montgomery. 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.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the Magoffin County Sheriff in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Sheriff 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 non-compliance 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 Sheriff's 4th Quarter Report was materially misstated. The Sheriff's 4th Quarter Report was not accurate, as it did not agree to the receipts and disbursements ledgers, or to the reconciled bank balance. Numerous adjustments were necessary to correct the materially misstated 4th Quarter Report. Inaccurate financial reporting to the Department for Local Government, Fiscal Court, and auditors is due to insufficient attention to detail and a lack of review of the reports and ledgers for accuracy. The 4th Quarter Report is intended to be an accurate reflection of the financial position of the Sheriff's office for the calendar year ended. The 4th Quarter Report should include all receipts and disbursements for the year, and agree to the reconciled bank balance. We recommend the Sheriff prepare correct quarterly reports in the

future by ensuring all receipts and disbursements are recorded correctly and that the ending balances per reports agree to reconciled bank balances.

Sheriff's response: This has been corrected.

The Sheriff did not make daily deposits. The Sheriff did not make daily deposits. The Uniform System of Accounts as adopted under KRS 68.210, gives the State Local Finance Officer the authority to establish minimum accounting procedures, which includes depositing receipts intact on a daily basis into a federally insured financial institution. The Sheriff failed to comply with the minimum requirements of the Uniform System of Accounts by not depositing receipts intact on a daily basis. We recommend the sheriff comply with KRS 68.210 by making daily deposits to prevent the likelihood of a financial statement misstatement or theft.

Sheriff's response: This problem has been corrected. We now make sure to do daily deposits.

The Sheriff should present his annual settlement to the Fiscal Court. The Sheriff did not present his annual settlement to the fiscal court. KRS 134.192 states the Sheriff shall provide to the Fiscal court each year a complete statement for the preceding year of all funds received by his office for services rendered, and of all expenditures, including his salary, compensation of deputies and assistants, and reasonable expenses. At the time of his settlement, the Sheriff shall pay to the fiscal court any excess fees. We recommend the Sheriff comply with KRS 134.192 and present his annual settlement and pay excess fees to the fiscal court.

Sheriff's response: It has been presented to the best of our knowledge.

Auditor's response: The auditor examined the fiscal court order book and was unable to confirm the sheriff presented his financial statement.

The Sheriff's office lacks adequate segregation of duties. A lack of adequate segregation of duties exists over all accounting functions. During our review of internal controls, we noted the Sheriff's bookkeeper is responsible for opening incoming mail, receiving and recording cash, preparing of bank deposits, posting to the receipts and disbursements ledgers, and preparing financial reports. A limited budget places restrictions on the number of employees the Sheriff can hire. When faced with a limited number of staff, strong compensating controls should be in place to offset the lack of segregation of duties.

A segregation of duties over various accounting functions, such as opening mail, recording cash, preparing bank deposits, posting transactions to ledgers, and preparing financial reports or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their responsibilities.

To adequately protect against misappropriation of assets and/or inaccurate financial reporting, the Sheriff should separate the duties involving the opening of mail, depositing of cash, posting of transactions to the ledgers, and preparing financial reports. If, due to a limited number of staff, that is not feasible, strong oversight over these areas should occur and involve an employee not

currently performing any of those functions. Additionally, the Sheriff could provide this oversight. If the Sheriff does implement compensating controls, these should be noted on appropriate source documentation.

Sheriff's response: This problem has been resolved by dividing duties between three office clerks.

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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