



Auditor of Public Accounts  
Adam H. Edelen

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Contact: **Stephenie Hoelscher**  
[stephenie.hoelscher@ky.gov](mailto:stephenie.hoelscher@ky.gov)  
**502.564.5841**  
**513.289.7667**

### **Edelen Releases Audit of Adair County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Adair County Sheriff Harrison Moss. 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 Adair 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 office lacks adequate segregation of duties over accounting functions.** A lack of adequate segregation of duties exists over all accounting functions. During our review of internal controls, we noted the Sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The Sheriff or another employee did not document oversight of any of these activities.

Lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting to external agencies, such as the Department for Local Government, which could occur and go

undetected. This condition is a result of a limited budget, which restricts the number of employees the Sheriff can hire or delegate duties to.

The segregation of duties over various accounting functions such as opening the mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implantation of compensating controls 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 daily responsibilities.

The Sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations and comparing financial reports to ledgers. Since this is not feasible, cross checking procedures should be implemented and documented by the individual performing the procedure.

Some example of cross checking procedures could include the Sheriff or another employee, not preparing the bank reconciliation, review the reconciliation and initial/sign off on it. The deposit could be prepared by one employee and reviewed and initialed by the Sheriff or another employee. The Sheriff, or another employee, could review and initial the monthly and quarterly reports after comparing them to the receipts and disbursements ledgers.

*Sheriff's response: No response.*

**The Sheriff's office should strengthen internal controls over disbursements.** During the test of disbursements the following items were noted:

- one (1) bill was past due
- one (1) bill was a copy
- one (1) bill was a fax
- deputies gas logs did not agree to billing from the fiscal court
  - 61 fill ups not included on deputies logs
  - 24 fill ups not included on fiscal court billing but on deputies logs
  - Six (6) missing gas logs
- bonds for 2015 were paid from the 2014 fee account
- Two (2) missing invoices,
- one (1) membership which is not allowable
- bank does not image, and include in the bank statements, the reverse sides of the checks
- for the fee, payroll and drug accounts.
- one (1) bill for penalties and interest to the IRS which are not allowable
- bank does not image, and include in the bank statements, the reverse sides of the checks for the fee, payroll and drug accounts
- The drug enforcement account only requires one signature

The effect of weak internal controls over disbursements can allow unnecessary disbursements to be paid which will decrease the amount of funds the Sheriff's office has to spend on necessary disbursements.

The issues were caused by the Sheriff's department weak internal controls, not ensuring all disbursements were properly documented as well as allowable, and not paying bills in a timely manner.

Good internal controls require original supporting documentation for all payments, verifying endorsements and dual signatures for all disbursements. In addition, Funk v. Milliken, 2017 S.W. 2<sup>nd</sup> 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures 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.

KRS 65.140 states “ (1) Unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor. (2) an interest penalty of one percent (1) of any amount approved and unpaid shall be added to the amount approved for each month or fraction thereof after the thirty (30) working days which followed receipt of vendor's invoice by the purchaser.”

We recommend the Sheriff pay the disallowed penalties; interest and membership fee of \$559 back the fee account. We further recommend the Sheriff strengthen internal controls, ensure all future disbursements follow the Kentucky regulations, are reasonable and necessary, paid timely and are originals with supporting documentation attached. In addition, we suggest the Sheriff request the bank include the backs of the checks on the bank statements for the fee, payroll and drug enforcement accounts in order to ensure verification of endorsements.

*Sheriff's response: No 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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