



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

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Carroll County Sheriff Jamie Kinman. 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 Carroll 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 disbursements should be paid timely. During testing, we noted six instances in which disbursements were paid more than 30 days past the date on the invoice, resulting in a noncompliance with KRS 65.140(2). KRS 65.140(2) states that payments should be made to vendors within 30 business days of receipt to ensure a good business relationship with the vendor and prevent the charge of penalties and late fees. Good internal controls dictate that invoices should be present upon payment to vendors and checks should be issued for the amount of the invoice. The Sheriff's office did not have a procedure in place to ensure payments were made timely. Failure to pay bills within thirty (30) days results in amounts not being recorded timely

on the disbursements ledger and can result in payment of finance charges and late fees. We recommend the Sheriff implement procedures to ensure payments are made timely.

Sheriff's response: We will pay when monies available.

The Sheriff's office lacks segregation of duties related to controls over receipts, disbursements, and reconciliations. During our review of controls, we noted a lack of segregation of duties related to several significant financial reporting areas. Due to the entity's diversity of official operations, small size, and budget restrictions, the Sheriff has limited options for establishing an adequate segregation of duties. We noted that the bookkeeper takes cash from customers, prepares the daily checkout sheet, counts cash/checks, prepares the deposit, takes the deposit to the bank, prepares checks for payments, posts receipts and disbursements to the ledgers, and prepares the bank reconciliations.

Proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If staffing does not allow for segregation of duties, strong management oversight should be implemented.

We observed that the Sheriff's office has compensating controls in place to offset these control weaknesses including: the other office staff person compares daily checkout sheets to the deposits, supporting documentation to checks written, and the bank reconciliation prepared by the bookkeeper. The review is documented by initials on the daily checkout sheet and checkbook register.

However, we noted that the Sheriff is not involved in day to day revenue collections or disbursements on a regular basis. We were informed the Sheriff inquires of deposits and verbally approves payments. Reviews and approvals should be evidenced by initials or signatures on supporting documents. We recommend the Sheriff implement the following procedures to improve his involvement in day to day revenue collections and disbursements:

- Recount and take the deposit to the bank, initialing the deposit ticket to document the performance of recounting the deposit.
- Perform random cash counts, initialing the daily checkout sheet to document the cash being counted.
- Review checks prepared for payment of significant purchases, initialing the invoice to document the review.
- Review daily deposits to ensure they agree and are posted to the receipts ledger.

Sheriff's response: None.

The Sheriff should implement procedures to analyze operating needs of the office during the year to ensure disbursements are made only when funding is available. The fee account was overdrawn thirteen times in Calendar Year 2014. Twelve of the noted expenses were for payroll expenses. The other expense noted was for vehicle maintenance which could have possibly been made during other times of the year when more funds were available. Good accounting and budgeting practices dictate that the Sheriff closely monitor disbursements to

ensure there are sufficient funds available before disbursements are made and that unnecessary fees are not paid. Due to the Sheriff's office lack of implementing a procedure to monitor disbursements, the fee account was overdrawn. We recommend the Sheriff implement procedures to review the operational needs throughout the year to ensure disbursements are made only when funding is available.

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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