



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Gallatin County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2014 financial statement of Gallatin County Sheriff Josh Neale. 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 revenues, expenditures and excess fees of the Gallatin County Sheriff in accordance with accounting principles generally accepted in the United States. 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 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 has a lack of segregation of duties related to receipts, disbursements, and bank reconciliations. The Sheriff's bookkeeper collects receipts, posts receipts to the ledger, takes deposits to the bank, prepares and signs checks, posts disbursements to the ledger and completes the bank reconciliations, which results in a lack of segregation of duties. There are no independent reviews done due to a lack of oversight over controls by the Sheriff. The Sheriff reviews invoices and initials them for the bookkeeper to prepare checks, but he does not compare the invoices to the checks before he signs them, resulting in an ineffective review, or approval of disbursements. The risk of misstatement due to error or fraud is high when there is lack of segregation of duties with no compensating controls. Proper segregation of duties protects employees in the normal course of

performing their daily responsibilities and reduces the risk that financial reporting errors will go undetected. We recommend the Sheriff either segregate the controls over receipts, disbursements and bank reconciliations, or implement compensating control review procedures. Reviews should be evidenced with initials on the daily collection reports, deposit tickets, ledgers and bank reconciliations.

Sheriff's response: None.

The Sheriff should not run charitable accounts through his office that do not serve a public purpose associated with a regular function of the Sheriff's office. The Sheriff deposits and expends donations for the Shop with a Cop program administered through the donations account managed in his office. Certain charitable accounts may run through a Sheriff's office and be considered an allowable activity of his office. These include charitable accounts for activities that serve a public purpose associated with a regular function of the Sheriff's office, such as drug awareness education through DARE and other drug education programs. To be considered an allowable charitable activity, the charity should be a statewide or national charitable organization, and the Sheriff should have a specific agreement or guidelines in place that describe the activities to be performed by the Sheriff or his or her deputies that are related to a regular function of the office, the method of collecting funds, and the restriction on the disbursement of funds. Because the Sheriff's Shop with a Cop program, administered through his donation account, does not meet these guidelines, it should not be conducted through the Sheriff's office, but should be operated completely external to the Sheriff's office and administered by a private or not for profit entity.

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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