



Auditor of Public Accounts
Adam H. Edelen

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Contact: Stephenie Hoelscher
stephenie.hoelscher@ky.gov
502.564.5841
502.209.2867

Edelen Releases Audit of McCracken County Sheriff's Office

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of McCracken County Sheriff Jon Hayden. 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 McCracken 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 McCracken County Sheriff should make deposits on a timely basis. Audit procedures over receipts revealed the Sheriff was not making daily deposits. Instead, deposits were being made whenever a uniformed officer was available. This practice left receipts vulnerable to misappropriation and loss. Under the authority of KRS 68.210, the Department for Local Government (DLG) has established requirements for all local government officials handling public funds. These requirements include "daily deposits intact into a federally insured banking institution".

For the dates that were selected for testing, auditors noted delays of up to three working days between the date of receipt and the date of deposit. While it is our understanding that all funds awaiting deposit are protected in a locked, fireproof vault, such delays still put these funds at risk. We recommend the Sheriff implement procedures to ensure receipts are deposited daily in order to meet the requirements established by DLG.

Sheriff's response: This oversight has been communicated to the proper officers and staff, and extra efforts will be made to comply with this requirement in the future.

Blank checks should not be signed prior to purchase. During our test of disbursements, one instance was noted where the Sheriff and Chief Deputy co-signed a blank check for the purchase of equipment from the Drug Fund. The check that was signed did not include an amount or payee.

The Sheriff has implemented internal controls throughout his office to help prevent fraud and financial misstatements. Having management sign checks and requiring dual signatures are two of the most important controls over disbursements. These controls ensure that management is aware of all money being expended by the office and that a responsible individual is checking for accuracy and ensuring that the expense is a legitimate obligation of the office.

For the sake of convenience the Sheriff and Chief Deputy signed a blank check and sent a deputy to make the purchase. By signing a check that had not been filled out, these important controls were bypassed and the office's assets were left susceptible to misappropriation or abuse.

We recommend that the Sheriff allow controls over disbursements to function as designed and to only sign checks that have been completely filled out and have proper support.

Sheriff's response: Our office does not typically procure items directly from a retail store as was done in this situation. However, this was a unique purchase for use by detectives and required comparison of products and pricing among different retailers. While I have full faith in the officer responsible for making this purchase, we understand our auditors' concern and realize the risks that were taken with this transaction. In the future, we will explore more acceptable purchasing options if a similar instance arises.

The Sheriff should strengthen internal controls over the petty cash fund. The McCracken County Sheriff's office utilizes a petty cash fund for small purchases. The Sheriff keeps a running balance of \$1,000 in this fund and purchases are reimbursed by the McCracken County Fiscal Court. As part of our testing, we observed a deputy count this cash fund and then reconcile the count to the ledger. A \$14 overage in the petty cash fund was noted. This overage could not be explained and based on inquiry, the fund had been off for several months. Maintaining a reconciled ledger is a crucial control to ensuring that cash is protected and accounted for.

Auditors also noted multiple exceptions while testing disbursements from the petty cash fund. Most of the exceptions involved reimbursements of travel expenses to employees. The following issues were noted:

- Fifteen instances where receipts for meal purchases were not itemized.

- One instance where items unrelated to work were reimbursed.
- One instance where a receipt was reimbursed to an employee twice.

These issues occurred because of weak internal controls over the petty cash fund. Therefore, we recommend that the Sheriff implement strong internal controls over petty cash. These controls should include requiring balanced monthly reconciliations, close inspection and approval of all purchases, itemized receipts being required for all reimbursements, and strong oversight by management.

Sheriff's response: The petty cash fund and its respective ledger have since been examined and brought into balance. Notification was sent out to all employees that itemized meal receipts were mandatory for any future reimbursement the day after auditors brought this matter to our attention. Though the amounts paid for a non-travel related expense and the duplicate reimbursement were very small, better examination of travel reimbursements will be made to help prevent any future errors.

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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