



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Metcalfe County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2014 financial statement of Metcalfe County Sheriff Rondal Shirley. 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 Metcalfe County Sheriff in accordance with generally accepted accounting principles 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 comment:

**The Sheriff's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations.** The Sheriff's office has a lack of segregation of duties over receipts, disbursements, and the reconciliation process. The office manager collects receipts, prepares deposits and daily checkout sheets, prepares and signs checks, and prepares financial statements. She also posts to the ledgers and reconciles the bank statements.

Adequate segregation of duties would prevent the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. To adequately

protect employees in the normal course of performing their duties, and/or prevent inaccurate financial reporting or misappropriation of assets, we recommend the Sheriff separate the duties involving receipts, disbursement of cash, preparation of the financial reports, and bank reconciliation process. If, due to a limited number staff, that is not feasible, strong oversight over those areas should occur and involve an employee not currently performing any of those functions. Additionally, the Sheriff could also provide the oversight. The individual providing this oversight should initial source documents as evidence of this review.

*Sheriff's response: No response.*

**The Sheriff's office lacks adequate segregation of duties over payroll and should improve controls over the payroll process.** The Sheriff's office has a lack of segregation of duties over the payroll process and should improve internal controls over the payroll process. The Sheriff's office lacks proper controls and oversight over the preparation of payroll and withholding reports. The office manager is responsible for preparing the individual earning records, all payroll checks, and all withholding reports.

The Sheriff's payroll earnings records and withholding reports contained numerous errors for calendar year 2014.

- The individual earnings records did not agree to the withholdings reported and paid to the County Treasurer. Due to errors in the amounts being picked up on the monthly report totals the office manager prepares in Microsoft Excel, retirement withholdings were underpaid by \$170 and county taxes were underpaid by \$5. These amounts have been turned over with excess fees and/or adjusted on the financial statement.
- The office manager withheld in error \$250 more insurance from employees paychecks which was paid to the County Treasurer, which was due to errors in the amounts withheld for the sheriff in June 2014 and deputies in November 2014. The November 2014 errors were a result of insurance withholdings being taken out three times in the month instead of twice.
- The individual earnings records did not agree to the withholdings reported and paid to the Internal Revenue Service for federal and FICA withholdings, the State of Kentucky for state taxes, and the City of Edmonton for city taxes. KRS 141.330 states that every employer who fails to withhold or pay to the department any sums required to be withheld and paid shall be personally liable. Due to the same type of errors occurring on some of the monthly reports as noted above, we calculated the Sheriff's office underpaid the Internal Revenue Service by \$125, the State of Kentucky by \$186, and the City of Edmonton by \$19.
- The Sheriff's office does not have a written policy regarding employee vacation and sick leave earned and used during the year.

Failure to reconcile total payroll amounts each month to the individual earning records and monthly reports has resulted in under/over reporting of wages and withholdings to the appropriate agencies.

We recommend the Sheriff's office strengthen controls over the payroll process by:

- Having strong oversight implemented and documented over review of individual earning records and payroll withholding reports that are performed by the office manager. The individual providing this oversight should initial source documents as evidence of this review and ensure correct amounts are being withheld and reported each pay period. In addition, implementing a payroll software program may also help resolve these errors.
- Ensuring amounts reported to Fiscal Court agree to individual earning records and Fiscal Court records. We also recommend the Sheriff consult with the Fiscal Court regarding underpayment of the employee's retirement withholdings to determine if this amount should be repaid to the county and overpayment of employee's insurance withholdings to determine if this amount should be paid back to the employees.
- Ensuring amounts reported to taxing agencies agree to individual earning records and the tax reports submitted. We recommend the Sheriff submit amended tax returns for the withholdings reported in error documented above. In addition, since excess fees have already been turned over to the Fiscal Court, the Sheriff should request these funds from the Fiscal Court if necessary to pay these amounts due if funds are not available at the time.
- The Sheriff's office should implement a written policy over vacation and sick leave and request the County Attorney review the policy for compliance with laws and regulations.

*Sheriff's response: Payroll mate (payroll program) has been purchased and began October of this year (2015).*

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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