



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

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of former Morgan County Sheriff Mickey Whitt. 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 former Morgan 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 former Sheriff did not receive 1/12 of his salary each month. The former Sheriff received \$1,400 of compensation each pay period (bi-weekly) and then received a lump sum payment in December. KRS 64.535 requires the Sheriff to receive his annual salary in equal installments that represent 1/12 of the total allocated amount each month. The Sheriff's office did not have the funds available at the beginning of calendar year 2014 to allow the former Sheriff to receive 1/12 of his salary. By not properly paying the Sheriff's salary, there is a risk that the Sheriff's office will not have the funds available at the end of the year. The former Sheriff had several options available that would have allowed him to receive his correct salary of 1/12 per month. These options included using the State Advancement program or requesting

Fiscal Court supplement the former Sheriff's salary. We recommend the Sheriff's office comply with KRS 64.535 in the future.

Former Sheriff's response: The Sheriff receives a smaller amount monthly to help allow the office to have more funds to operate on throughout the year.

The former Sheriff was underpaid by \$1,400 for calendar year 2014. The maximum salary set for the Morgan County Sheriff in calendar year 2014 was \$82,131; however, for calendar year 2014 the former Sheriff was paid \$80,731. KRS 64.5275 states the Sheriff shall receive an annual salary pursuant to the salary schedule set by the Kentucky Department for Local Government (DLG). The former Sheriff received \$1,400 on January 10, 2014, that was paid from the 2013 fee account and allocated to his salary for calendar year 2013. Therefore, the former Sheriff was underpaid by \$1,400 for calendar year 2014. The former Sheriff should request the funds necessary from the fiscal court in order to pay himself the additional salary due plus the employer's share of retirement, social security, and Medicare.

Former Sheriff's Response: No response.

The former Sheriff did not submit his quarterly reports to the Department for Local Government. The former Sheriff did not submit his quarterly financial reports to the Department for Local Government. The County Budget Preparation and State Local Financial Officer Policy Manual requires quarterly reports be submitted by the 30th day of the month following the end of each quarter. By not submitting these reports, financial statement users may not have been aware of the financial position of the Sheriff's office. We recommend the Sheriff's office ensure that quarterly reports are submitted timely in the future.

Former Sheriff's response: All reports were done by our office and will be submitted to DLG.

The former Sheriff's office lacked adequate segregation of duties. The former Sheriff's office had a lack of segregation of duties over receipts and disbursements. The former Sheriff's bookkeeper collected payments from customers, made deposits, monthly bank reconciliations, and posted to the receipts and disbursement ledgers. The bookkeeper prepared the payroll checks for the former Sheriff to sign, but there is no documentation to prove he verified the check amounts to payroll records. Adequate segregation of duties would prevent the same person from having a significant role in processing and recording receipts and disbursements which would decrease the risk that the misappropriation of assets and/or inaccurate financial reporting will occur and go undetected. The former Sheriff could have offset the lack of segregation of duties by implementing compensating controls such as periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing the daily deposits to the daily checkout sheet and the receipts ledger, reconciling any differences.

In addition, the former Sheriff could have documented that he was verifying check amounts to the invoices to ensure the check was written for the proper amount. Compensating controls should be documented by initialing and dating the source documents such as the bank reconciliations, bank deposits, daily collection reports, receipts and disbursements ledgers, invoices, and payroll records.

Former Sheriff's response: Our office initially segregates the required duties between our staff and feels that all duties are being done adequately.

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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