



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

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Rockcastle County Sheriff Michael Peters. 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 Rockcastle 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 comment:

The Sheriff's office lacks adequate segregation of duties over receipts. While reviewing the Sheriff's internal control structure, we noted a lack of adequate segregation of duties over receipts. This weakness exists because two employees are primarily responsible for most receipt functions, including opening incoming mail, issuing receipts, preparing bank deposits, preparing the daily checkout sheets, posting to the receipts and disbursements ledgers, and preparing the financial reports.

Proper segregation of duties is essential for providing protection from asset misappropriation and/or inaccurate financial reporting, while also protecting employees in the normal course of

performing their responsibilities. If it is not feasible for the Sheriff to segregate duties because of the limited number of staff and budget restrictions, the Sheriff should implement compensating controls to offset the effects of the lack of segregation of duties, including:

- The Sheriff could recount cash and checks collected at the end of each day and compare it to the deposit ticket. The Sheriff should initial the deposit ticket to document agreement.
- The Sheriff could compare the receipts ledger and bank reconciliation to the bank statement. The Sheriff should initial the receipts ledger and bank statement to document agreement.

Sheriff's response: No response.

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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