



Auditor of Public Accounts
Adam H. Edelen

FOR IMMEDIATE RELEASE

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

Edelen Releases Audit of Former Todd County Sheriff's Office

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of former Todd County Sheriff Arthur Johnson, for the period January 1, 2014 through January 4, 2015. 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 Todd 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's office lacked adequate segregation of duties over receipts and reconciliations. The former Sheriff's office lacked adequate segregation of duties over the accounting and reporting functions of the office. The former Sheriff's bookkeeper was responsible for receiving cash, preparing daily deposits, posting to receipts ledger, preparing monthly bank reconciliations, and preparing monthly and quarterly reports.

A lack of segregation of incompatible duties or strong oversight increases the risk that errors could occur and not be detected. This condition was a result of a limited budget, which restricted the number of employees the former Sheriff could hire or delegate duties to.

A proper segregation of duties over the accounting and reporting functions such as preparation of the quarterly reports or implementing compensating controls, when necessary because of a limited number of staff, is essential for providing protection from errors occurring and not being detected. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The former Sheriff should have separated the duties involved in receiving cash preparing, deposits, posting to ledgers, preparing monthly bank reconciliation, preparing financial reports, and comparing financial reports to ledgers. If, due to a limited budget, this was not feasible, cross-checking procedures could have been implemented and documented by the individual performing the procedure.

Former Sheriff's response: No response.

The former Sheriff's Quarterly Report was materially misstated. The former Todd County Sheriff's Quarterly Financial Report for calendar year 2014 was materially misstated. All receipts received by the office and recorded on the receipts ledger were not included on the quarterly report. By leaving these totals off of the quarterly report, the former Sheriff's financial statement was materially misstated. Therefore, the financial statement potential use by management and citizens has been effectively reduced. This was caused by the former Sheriff leaving off one particular type of receipt from the quarterly report. The former Sheriff left this type of receipt off of the quarterly report due to a misunderstanding between his office and the County Treasurer. Strong internal controls and accepted record keeping procedures require all receipts and disbursements to be included on the financial statement. By leaving off receipts received by the former Sheriff's office and recorded on the ledgers, the ledgers are not a useful management tool for making decisions. We recommend that the Sheriff's office ensure that all receipts and disbursements recorded on the Sheriff's ledgers be included on the Sheriff's Quarterly Report.

Former 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](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

