



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

FRANKFORT, Ky. – State Auditor Adam Edelen today released the audit of the 2014 financial statement of Trimble County Sheriff Tim Coons. 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 Trimble 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 Sheriff's office had \$252 in disallowed disbursements. During testing of credit card expenditures we noted \$252 in disallowed disbursements, which included:

- \$217 for no supporting documentation.
- \$35 for coffee machine.

The Sheriff did not ensure all credit card disbursements were supported by receipts before payment of the bill, totaling \$217. The Sheriff was unaware he should not purchase a coffee machine with

fee account funds. When disbursements are not evidenced by supporting documentation it cannot be determined if the funds are being appropriately used, resulting in disallowed disbursements.

All disbursements of the Sheriff's fee account should be necessary for the operation of the Sheriff's office, should not be personal in nature, and should be adequately documented. Good internal controls dictate that the Sheriff should monitor disbursements to ensure compliance with state laws and regulations. In Funk v. Milliken, 317 S.W.2d 499 (KY 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditure of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses.

We recommend the Sheriff no longer purchase food and drink items for deputies using fee account funds. We also recommend the Sheriff repay \$252 with personal funds to the 2014 fee account. The Sheriff's repayment will result in an additional \$252 in excess fees due to Fiscal Court for 2014.

Sheriff's response: In regards to the exit audit conversation on 10/01/2015 we have reviewed once again the items listed in the report and will take the necessary steps to comply. I acknowledge the amount of \$252 to repay the county for allowable expenses we did not have receipts for. It is very important to me and this office to be in total compliance with the auditor's office.

The Sheriff's office lacked internal controls over receipts. The following internal control problems over receipts were noted:

- a receipt ticket is not issued for every amount collected,
- receipt tickets that are completed do not indicate cash or check received,
- receipts are not batched daily and reported on a daily collection form,
- deposits are not made daily, and

The Sheriff's office has weak internal controls over receipts due to a low priority to have effective controls in place over fee account receipts. The lack of effective internal control over receipts increases the risk of accurate financial reporting or misappropriation of assets. Good internal controls dictate that each amount received should have a supporting receipt ticket, indicating cash or check received, then be batched to a daily checkout sheet, and deposited daily.

KRS 64.840 states a receipt ticket to be issued for each receipt collected. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the County Budget Preparation and State Local Finance Officer Policy Manual, requires daily deposits intact into a federally insured banking institution.

We recommend the Sheriff implement the following controls over receipts, including:

- issuing a receipt ticket for all funds received,
- ensuring that receipts indicate cash or check as the form of payment,
- batching receipt tickets daily and recording them on a daily collection form, and

- making deposits daily,

Sheriff's response: See response to comment 2014-001.

The Sheriff's office did not present an annual settlement to fiscal court. The Sheriff did not present an annual settlement to fiscal court. The bookkeeper informed the auditor she gave the excess fees check to an employee in the Judge/Executive's office but was unaware of the requirement to prepare and present an annual settlement to fiscal court. When an annual settlement is not prepared and presented to fiscal court, the fiscal court has no knowledge of how the Sheriff's office is operating, i.e., how funds are being used and what types and amounts of revenue are available to support the operations. This is an issue of noncompliance with KRS 134.192, which requires fee officials to prepare and present a settlement of their accounts to fiscal court on an annual basis. Good internal controls dictate that an annual financial statement should be prepared and presented to an entity's oversight committee for review and approval. We recommend the Sheriff prepare and present an annual settlement to fiscal court in the future, with fiscal court's approval documented in the minutes.

Sheriff's response: See response to comment 2014-001.

The Sheriff's office lacked segregation of duties over receipts, disbursements, and reconciliations. The Sheriff's office has a lack of segregation of duties over receipts, disbursements, and bank reconciliations due to one employee being assigned to collect receipts, prepare deposits, take deposits to the bank, prepare checks, sign checks, record receipts and disbursements in the ledgers, and prepare the bank reconciliations. Lack of segregation of duties increases the risk of misstatements in reporting due to error or fraud. Good internal controls dictate that adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions and mitigate the risk of misstatements in reporting due to error or fraud. To adequately protect employees in the normal course of performing their assigned functions and to protect the Sheriff's office against inaccurate financial reporting, we recommend the Sheriff separate the duties in preparing and depositing receipts, preparing and signing checks, recording transactions, and performing the bank reconciliations. If these duties cannot be segregated, strong oversight should be provided over the employee responsible. The employee providing oversight should document oversight procedures by initialing source documents.

Sheriff's response: See response to comment 2014-001.

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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