



Auditor of Public Accounts
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Harmon Releases Audit of Former Bullitt County Sheriff's Office

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the January 1, 2018 – January 6, 2019 financial statement of former Bullitt County Sheriff Donnie Tinnell. 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 statements present fairly the receipts and disbursements of the former Bullitt County Sheriff and the receipts, disbursements, and fund balances of the former Bullitt County Sheriff's operating fund and county fund in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statements did not follow this format. However, the former sheriff's financial statements are 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 noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comments:

The former Bullitt County Sheriff was noncompliant with state law by operating a tow lot and collecting fees for towing and vehicle storage: This is a repeat finding and was reported in the prior year audit report as Finding 2017-001. The Bullitt County Sheriff's office began operating a tow lot in February 2017, charging vehicle owners \$25 per day for towing and storing their vehicles. This fee was not an allowable fee of the sheriff's office during the time period covered by the audit. State statutes only permit sheriffs to collect fees that are specified in law. Customers

who did not pay their fees by an established deadline were asked to forfeit ownership of their vehicles to the sheriff's office. The former sheriff then auctioned these vehicles.

During calendar year 2018, the former sheriff deposited \$188,044 of tow lot fees and proceeds from auctioned vehicles into a separate bank account. These fees were not remitted to the Finance and Administration Cabinet as required. From these funds, the former sheriff expended \$184,648 on towing company charges, vehicles, and operational items, bypassing the procurement guidelines established by the Finance and Administration Cabinet for counties with population of 70,000 or more.

Furthermore, the former sheriff's year-end financial statement was materially misstated because the receipts and disbursements from the tow lot bank account were omitted from the former sheriff's final fourth quarter report. Material audit adjustments were necessary to add the activity to the financial statement.

The former sheriff operated a tow lot in order to increase revenue for his office. Effective internal controls were not in place to ensure the sheriff's office collected only allowable fees and that all disbursements followed applicable procurement guidelines. There were no internal controls in place to ensure the former sheriff's final fourth quarter report was accurate and complete. Financial statement misstatements could result in increased risk of uncorrected errors, theft, loss, or misappropriated assets.

KRS 64.410 mandates that the sheriff cannot collect fees he is not directed to collect by state law. KRS 64.090 provides a list of fees a sheriff is authorized to collect. Towing fees and related storage fees were not allowable during the time period covered by the audit (subsequently amended June 27, 2019).

KRS 64.345 states that each officer shall, on the first day of each month, send to the Finance and Administration Cabinet (FAC) a statement, subscribed and sworn to by him, showing the amount of money received or collected by or for him the preceding month as fees or compensation for official duties and shall, with these statements, send to FAC the amount so collected or received.

KRS 68.210 states, "[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials." The state local finance officer requires a cumulative quarterly report to be submitted by the 30th day following the close of each quarter.

KRS 64.345 establishes that procurement oversight shall be retained by the Office of the Controller created pursuant to KRS 42.0201.

We recommend the sheriff's office only collect mandated fees, remit all collections to FAC monthly, abide by procurement guidelines, and post all receipts and disbursements on the fourth quarter reports. We further recommend the balance in the tow lot bank account be remitted to the appropriate account with FAC.

Former Sheriff's Response: The official did not provide a response.

The former Bullitt County Sheriff's Office lacked adequate segregation of duties over receipts and reconciliations: This is a repeat finding and was reported in the prior year audit report as Finding 2017-006. The former Bullitt County Sheriff's office lacked adequate segregation of duties. The former sheriff's bookkeeper collected payments from customers, issued receipts, posted transactions to the receipts ledger, prepared the quarterly reports, and performed the monthly bank reconciliations. Daily checkout sheets were prepared by a deputy clerk who also collected payments from customers and prepared the deposit tickets. Oversight by either the former sheriff or another employee was not always documented for these activities.

The former sheriff indicated that this condition is a result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

A lack of oversight could result in undetected misappropriation of assets or inaccurate financial reporting to external agencies such as the Department for Local Government (DLG).

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts, reconciling monthly bank statements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff's office separate the duties involved in receiving cash, preparing deposits, posting to the receipts ledger, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If due to a limited budget this is not feasible, cross checking procedures could be implemented and documented by the individual performing the procedure.

Former Sheriff's Response: The official did not provide a response.

The former Bullitt County Sheriff's Office did not have adequate controls over disbursements: This is a repeat finding and was reported in the prior year audit report as Finding 2017-002. The former Bullitt County Sheriff's Office did not have adequate controls over disbursements. The following deficiencies were noted:

- Original invoices were not always kept;
- Invoices were not date stamped when received;
- Invoices were not effectively canceled in order to prevent duplicate payments; and
- Fuel credit card receipts were not maintained and not compared to the monthly fuel invoices.

These deficiencies were caused by a lack of internal controls and a lack of oversight of disbursements procedures.

Failure to maintain adequate supporting documentation for expenditures could result in disallowed expenditures requiring personal funds to be deposited into the account. Failure to properly maintain the original invoice, to document the date received, and to effectively cancel invoices, as required by the Department for Local Government (DLG), could lead to fraudulent invoices being paid or duplicate payments.

The *Financial Operations Manual for Over 70K Counties* requires the official to attach the vendor's original bill or invoice, with the date stamped on the lower left hand corner and retain a copy for their own records. Strong internal controls dictate that invoices or other documents should be effectively cancelled in order to prevent duplicate payments.

We recommend the sheriff's office ensure all original invoices are maintained and are properly date stamped when received in the lower left hand corner as required by the *Financial Operations Manual for Over 70K Counties* issued by DLG. Original invoices should be effectively cancelled to prevent duplicate payments. Additionally, we recommend the sheriff implement a policy to ensure that all fuel bill original receipts are turned in to the deputy in charge of the monthly fuel bill reconciliation. These receipts should be compared to the monthly credit card invoice and evidenced by initials or a signature.

Former Sheriff's Response: The official did not provide a 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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