



Auditor of Public Accounts
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Harmon Releases Audit of LaRue County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of LaRue County Sheriff Russell McCoy. 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 statement presents fairly the receipts, disbursements and excess fees of the LaRue County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement 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 noncompliance 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 LaRue County Sheriff failed to report a loan proceed and repayment on the fourth quarter financial report: Receipts and disbursements on the sheriff's fourth quarter financial report were understated by \$27,000, which exceeds the threshold of materiality causing the report to be materially misstated. The errors were due to loan proceeds received and the repayment of principal in this amount which were not reported. The proceeds from the loan were correctly posted in the accounting software; however, the repayment was posted to the same revenue account which canceled the original entry resulting in no balance to report on the financial statement.

According to the sheriff, the office does not normally have short term loans; therefore, the process was unfamiliar causing the error to not be detected.

Material misstatements on the financial statement can create an inaccurate picture of the financial performance of the sheriff's office which may impact management's future financial decisions. However, once this issue was brought to the attention of the sheriff by the auditors, the sheriff approved an adjustment to be made to the financial statement in order to correct the fourth quarter financial report.

KRS 68.210 gives the Department for Local Government (DLG) the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* issued by DLG includes the required format for the quarterly financial reports. Additionally, the manual instructions state that total receipts and total disbursements should be included for the year to date for all accounts.

We recommend that the LaRue County Sheriff ensure the financial statement accurately reflects all funds received by source and all funds disbursed by payee as required by DLG.

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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