



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of Trimble County Sheriff Charles Kelton. 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 Trimble 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 comments:

The Trimble County Sheriff's Office lacks adequate segregation of duties over disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2017-002. A lack of adequate segregation of duties exists over disbursements. During our review of internal controls, we noted the sheriff's bookkeeper prepares and signs checks and posts transactions to the disbursements ledger. The sheriff or the chief deputy reviews and initials invoices for nonroutine disbursements to evidence the authorization for payment. However, there is no independent verification that the check for the invoice is prepared accurately.

The sheriff's office did not implement segregation of duties as part of the internal control structure to ensure checks are prepared accurately for invoices. A lack of segregation of duties significantly increases the risk of misstatements in financial reporting due to undetected errors or fraud. The segregation of duties over various accounting functions such as opening the mail, preparing deposits, recording receipts and disbursements, 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 preparing and signing checks, and posting disbursements to the ledger. If this is not feasible, strong compensating control procedures should be implemented and documented by the individual performing the review procedure on the check issued for each disbursement as well as the corresponding invoice.

Sheriff's Response: Process in place already, focus more on documentation. All disbursements are initialed by the Sheriff & [the bookkeeper].

The Trimble County Sheriff owes additional excess fees to the fiscal court: The sheriff did not recognize the December 2018 tax commission receipts of \$34,660 and record them on the receipts ledger and financial statement for 2018 as has been the accounting practice for the past three years. The \$34,660 will be added to the sheriff's receipts ledger and result in additional excess fees due to the fiscal court for calendar year (CY) 2018. The sheriff recognized and recorded the December 2018 tax commission receipts in February 2019 to cover operating expenditures, resulting in inconsistent accounting methods being used and additional excess fees due to the fiscal court for CY 2018.

Strong internal controls dictate receipts should be recognized and recorded on the receipts ledger in a consistent manner from one year to the next to ensure excess fees due to the fiscal court are determined consistently each year.

We recommend the sheriff pay the \$34,660 in additional excess fees to the fiscal court for CY 2018. We also recommend the sheriff ensure consistent accounting practice is done each year for recognizing and recording December tax commission receipts to be included in year-end receipts.

Sheriff's Response: Will give court a check for the excess fees from 2018.

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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