



Auditor of Public Accounts
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Harmon Releases Audit of Garrard County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for Garrard County Sheriff Tim Davis. 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 sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 17, 2018 through April 15, 2019 in conformity with the regulatory basis of accounting.

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 sheriff's Office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The sheriff's office lacks adequate segregation of duties over receipts, disbursements, monthly reconciliations. The sheriff's bookkeeper collects money, prepares daily checkout sheets and deposits, takes deposits to the bank, prepares monthly tax reports and checks to the districts, and performs monthly

reconciliations. The sheriff's office also lacks management review over franchise tax billings and sheriff tax credits on the sheriff tax settlement.

The sheriff's office has a small staff size that limits the ability to adequately segregate the duties surrounding receipts, disbursements, and monthly reconciliations. By not having adequate segregation of duties, the risk increases that undetected misstatements in reporting due to fraud or error can occur. Adequate segregation of duties dictates that controls over financial processes be segregated in order to reduce the chance of theft, fraud, or misstatement due to errors. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations and comparing financial reports to ledgers. However, if an adequate segregation of duties is not feasible due to a limited budget, compensating controls could be designed more effectively, and documented by the individual performing the procedure.

Sheriff's Response: Lack of funding for adequate staffing.

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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