



Auditor of Public Accounts
Mike Harmon

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Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Johnson County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2019 taxes for Johnson County Sheriff Doug Saylor. 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 16, 2019 through May 15, 2020 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 does not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2018-001. The sheriff's office does not have adequate segregation of duties over receipts, disbursements, and bank reconciliations. The bookkeeper may collect tax payments, prepare the daily checkout sheet, and prepare the daily deposit. The bookkeeper may also prepare the daily checkout sheet, maintain the general ledger, and prepare bank reconciliations. These incompatible duties create a lack of segregation of duties

over receipts, disbursements, and the reconciliation process. By not segregating these duties, there is a risk that undetected errors or fraud could occur.

The sheriff indicated that this was caused by a limited number of employees that were available to segregate these job duties. The segregation of duties over various accounting functions such as opening 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 that if these duties cannot be segregated, the sheriff should implement and document compensating controls to help offset this weakness.

County Sheriff's Response: The bookkeeper will no longer collect taxes, prepare daily checkout sheet, or prepare daily deposit. The duties of the bookkeeper will include maintaining general ledger, prepare bank reconciliation, and prepare bank disbursements. The Sheriff agrees to implement compensating controls when acceptable segregation of duties cannot be performed.

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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