



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for Montgomery County Sheriff Fred Shortridge. 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, 2016 through April 17, 2017 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 internal control over financial operations and reporting.

The audit contains the following comment:

The sheriff's office lacks adequate segregation of duties: During our review of internal controls, we noted a lack of adequate segregation of duties over tax receipts and disbursements. The bookkeeper is responsible for preparing monthly reports, preparing and signing checks, taking the deposit to the bank, and preparing bank reconciliations. This is a repeat finding and was included in the prior year audit report as Finding 2015-001.

According to the sheriff, the sheriff's office has a limited number of staff that prevents adequate segregation of duties over most accounting functions of the office. The lack of adequate segregation of duties increases the risk of undetected errors. Proper segregation of duties is essential for providing protection from asset misappropriation and inaccurate financial reporting, while also protecting employees in the normal course of performing their responsibilities.

We recommend the sheriff segregate these duties or implement compensating controls to offset this significant deficiency:

- An independent person should periodically compare the daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. This individual should document this by initialing the bank deposit, daily checkout sheet, and the receipts ledger.
- An independent person should compare the monthly financial report to the receipts and disbursements ledgers for accuracy. Any difference should be reconciled. This individual should document this by initialing the monthly financial reports.
- An independent person should compare the monthly bank reconciliation to the balance in the checkbook. Any differences should be reconciled. This individual should document this by initialing the bank reconciliation and the balance in the checkbook.

Sheriff's Response: We separate duties within our office to fit our needs and responsibility. Even though we are a small office, it is obvious that what we have in place are working. The Audits in the past years and present, shows that there is no misappropriation and/or no inaccurate financial reporting. That being said, we will continue to work hard to improve the day to day responsibilities for the tax payers in Montgomery County.

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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