



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Former Morgan County Sheriff's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2017 financial statement of former Morgan County Sheriff Anthony Gullett. 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 former Morgan County Sheriff in accordance with accounting principles generally accepted in the United States of America. The former sheriff's financial statement did not follow this format. However, the former 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 former sheriff's office lacked adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The former sheriff's office lacked adequate segregation of duties. The responsibilities of recording, depositing, and reconciling cash were delegated to the same individual. The former sheriff's bookkeeper collected payments from customers, made deposits, signed checks, posted to the receipts and disbursements ledgers, and reconciled the bank account. The lack of oversight could result in inaccurate financial reporting to external agencies such as the Department for Local Government (DLG), and undetected misappropriation of assets. Segregation of duties over various accounting functions or the

implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting.

We recommend the sheriff's office offset a lack of segregation of duties by implementing compensating controls such as periodically performing surprise cash counts, reviewing the bank reconciliations, comparing the daily deposits to the daily checkout sheet and the receipts ledger, and reconciling any differences. In addition, the sheriff could document that he is verifying check amounts to the invoices to ensure the check is written for the proper amount. Compensating controls should be documented by initialing and dating the source documents such as the bank reconciliations, bank deposits, daily collection reports, receipts and disbursements ledgers, invoices, and payroll records.

Former Sheriff's Response: The former sheriff 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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