



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Oldham County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for Oldham County Sheriff Steve Sparrow. 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 does not have adequate segregation of duties over receipts and reconciliations:** The sheriff's office has a lack of adequate segregation of duties over receipts and reconciliations. The bookkeeper and other office staff prepare and review daily closeout procedures, daily deposits, and make deposits to the bank. In addition, the bookkeeper post receipts to the ledger and prepares monthly bank reconciliation. Although all receipt and reconciliation procedures are reviewed, there was no documentation of the review by sheriff or other designee.

A lack of segregation of duties existed because the sheriff's office has a limited budget that does not allow for additional office staff to be hired in able to have proper segregation of duties. Reviews are in place with bookkeeper and office staff on a daily basis. By the same employee primarily performing related functions with no documentation of review, the risk increases that undetected errors or fraud may occur. The lack of adequate segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the assets and ensure accurate financial reporting. Adequate segregation of duties would prevent the same person from having all the significant roles over various accounting functions.

We recommend the sheriff's office segregate duties over the receipts and reconciliation portions of the tax collection process. To adequately protect employees in the normal course of performing their duties, and prevent inaccurate financial reporting or misappropriation of assets, we are recommending that the sheriff implement strong oversight for these areas, either by an employee independent of those functions or by the sheriff or designee, such as:

- The sheriff (or designee) should compare the daily bank deposit to the daily checkout sheet and then compare to the bank deposit receipt. This should be documented by initialing the bank deposit, daily checkout sheet and bank deposit receipt.
- The sheriff (or designee) should compare the monthly tax receipts deposits per bank to the monthly tax reports. This should be documented by initialing the monthly tax report.
- The sheriff (or designee) should compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The sheriff (or designee) could document this by initialing the bank reconciliation.

*Sheriff's Response: Corrective measures have been implemented by Sheriff Sparrow. In the future, the daily checkout sheet, bank deposit receipt will be reviewed and initialed by a minimum of two employees. Two employees will compare the bank reconciliation to the checkbook balance and initial the reports. Any discrepancy will immediately be reported to the sheriff to ensure any differences are reconciled. The sheriff has directed the chief deputy to monitor this to ensure the proper corrections are being implemented.*

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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