



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for Todd County Sheriff Tracy White. 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, 2015 through April 15, 2016 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance 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 comments:

The sheriff did not make deposits intact and timely. The Todd County Sheriff is not making daily deposits of tax receipts. Per the bank statements, multiple days' deposits were held in the sheriff's office and taken to the bank in a single trip. During the month of October, the busiest month of tax collections, deposits were only being made approximately one to two times a week. The sheriff was also not making deposits intact. Two deposits included payments for bills not

shown collected on that day's deposit. Instead, they were accounted for on the next day's daily checkout sheet.

This was caused by a lack of proper reconciliations of the daily checkout sheets by the former bookkeeper and a lack of oversight on the part of the official to ensure deposits are taken to the bank daily. By not depositing deposits intact and timely, receipts could be stolen or misappropriated before reaching the depository institution.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires "Daily deposits intact into a federally insured banking institution." We recommend the sheriff ensure that deposits are made daily for each day's collections and that the deposits made are intact and agree to the amounts received.

Sheriff's Response: The previous bookkeeper failed to perform this task and on December 19, 2015 the former bookkeeper was terminated for not performing this and other job duties.

The sheriff's office lacks adequate segregation of duties over receipts and reconciliations.

The Todd County Sheriff has not implemented proper segregation of duties over the account processes for collecting receipts and preparing reconciliations. The bookkeeper is responsible for collecting money from customers, preparing the daily checkout sheets, preparing the daily deposits, recording receipts to the ledgers, and preparing monthly reports. The bookkeeper was also the only person responsible for preparing ledger and bank account reconciliations, which were not reviewed or approved by the official or a designee.

A lack of segregation of duties existed over disbursements at the sheriff's office because a limited number of employees were available to properly segregate these job duties. A lack of segregation of duties could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Revenue or taxing districts.

Segregation of duties or the implementation of compensating controls, when needed because of the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and misappropriation of assets. We recommend the sheriff segregate the duties over receipts and reconciliations in order to adequately protect employees in the normal course of performing their duties and to help prevent misappropriation of assets and inaccurate financial reporting. If the sheriff cannot segregate duties, we recommend the sheriff implement compensating controls over these processes to mitigate the risks.

Sheriff's Response: The Todd County Sheriff's Office does not have sufficient funds to hire additional bookkeeper(s). Compensating controls have been placed to assist in avoiding this situation.

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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