



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes for former Cumberland County Sheriff Scot Daniels. 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 former 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 former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The former sheriff's financial statement fairly presents the taxes charged, credited and paid for the period April 16, 2021 through August 31, 2022 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 finding:

The former Cumberland County Sheriff did not have adequate segregation of duties over receipts and disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2020-001. The former sheriff's office did not have segregation of duties over

receipts and disbursements. The bookkeeper opened the mail, collected payments from customers and prepared daily collection reports, deposits, and monthly tax reports. Upon completion of the monthly reports, the bookkeeper prepared and signed the checks and performed the monthly bank reconciliations. The bookkeeper also had administrative rights to the tax program used to collect taxes. In addition, all employees used the same cash drawer for collections. However, the former sheriff implemented some compensating controls such as dual signatures on disbursement checks, monthly bank reconciliations and sheriff's signature on monthly reports to offset the deficiency, but they were not sufficient.

The lack of segregation of duties occurred because the former sheriff failed to segregate incompatible duties. Per the former sheriff, this condition is a result of a limited budget, which restricted the number of employees the sheriff could hire or delegate duties to. A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts. Inadequate oversight could lead to inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in the process and recording of receipts and disbursements. The sheriff's office can implement additional oversight when duties cannot be segregated.

We recommend the sheriff's office segregate duties over accounting functions. If segregation of duties is not feasible due to lack of staff, we recommend the sheriff's office continue to enforce the compensating controls already in place and to implement additional reviews to offset the significant deficiency.

Former Sheriff's Response: The former official 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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