



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2020 taxes for Grayson County Sheriff Norman Chaffins. 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 May 16, 2020 through April 15, 2021 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 Grayson County Sheriff's Office does not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The Grayson County Sheriff's Office does not have adequate segregation of duties over the accounting and reporting functions of the sheriff's office. The sheriff's bookkeeper collects payments from customers, prepares deposits, post transactions to the receipts and disbursements ledgers, prepares checks, signs checks, prepares monthly bank reconciliations, and prepares monthly tax reports.

According to the sheriff, the lack of segregation of duties is caused by the diversity of operations with a limited number of staff. By not segregating these duties, the sheriff is increasing the opportunity for the misappropriation of assets and inaccurate financial reporting to occur.

Good internal controls dictate the same employee should not handle, record, and reconcile receipts. Further, the same employee should not be responsible for preparing, recording, and reconciling disbursements. The segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, preparing monthly bank reconciliations, and preparing monthly tax reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the Grayson County Sheriff's Office segregate duties when possible or implement compensating controls and sufficiently document implemented compensating controls.

County Sheriff's Response: We continue to make improvements and corrections to eliminate this finding. We will also continue to take the advice of our auditor to correct any deficiencies.

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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