



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes for former Jackson County Sheriff Paul Hays. 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 Jackson County Sheriff's Office 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 bookkeeper collected payments from customers and prepared daily collection reports, deposited, and monthly tax reports. Upon completion of the monthly reports, the bookkeeper prepared and signed the checks and performed the monthly bank

reconciliations. In addition, the bookkeeper also had administrative rights to the tax program used to collect taxes. In response to the lack of segregation of duties, the former sheriff had implemented some compensating controls, however they were not sufficient to mitigate the lack of segregation of duties.

According to the former sheriff this condition was a result of a limited budget, which restricted the number of employees the former sheriff could hire or delegate duties to. The lack of oversight could have resulted in undetected misappropriation of assets or inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts.

Proper segregation of duties over collecting taxes, preparing daily tax collection journals, preparing monthly reports, preparing, and making deposits, and preparing disbursements was essential to protect assets from misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties could have protected employees while performing their daily responsibilities.

We recommend the Jackson County Sheriff's office segregate the duties involved in tax collection, writing checks, posting to ledgers, preparing monthly bank reconciliation and preparing financial reports. If not feasible due to limited number of staff, strong compensating controls should be in place to mitigate the lack of segregation of duties. For example, the sheriff or an employee, other than the person who prepared the monthly report, should compare the total collections per report to the total collections per bank records and receipts ledger. The reviewer, as well as the preparer, should sign or initial the monthly report, the bank statement, and the receipts ledger to show evidence of the review.

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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