



Auditor of Public Accounts
Mike Harmon

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Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Former Lincoln County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2021 taxes for former Lincoln County Sheriff Curt Folger. 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 Lincoln County Sheriff's Office did not have adequate segregation of duties over receipts, disbursements, and reconciliations: This is a repeat finding and was included in the prior year audit report as Finding 2020-001. The sheriff's office did not have adequate segregation of duties over receipts, disbursements, and reconciliations. This condition primarily exists because the former sheriff's bookkeeper opened mail, collected payments from customers, prepared

deposits, wrote and signed checks, prepared monthly reports, and prepared bank reconciliations. The former sheriff had implemented some compensating controls however these controls were not always documented with proper supporting documentation. According to the sheriff's office, there is a limited number of employees that prevented the segregation of duties over most accounting functions of the office. The lack of adequate segregation of duties increases the risk that errors could occur and not be detected. A lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting to external agencies, such as the Department for Local Government (DLG), which could occur and go undetected.

The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports and reconciliations, or the implementation of compensating controls is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the Lincoln County Sheriff's Office separate duties involved collection of receipts, preparing deposits, preparing checks, and preparation of bank reconciliations. If this is not feasible due to a limited budget, additional cross-checking procedures should be implemented and documented by the individual performing the review procedure.

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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