



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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

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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2022 taxes for former Pendleton County Sheriff Edwin Quinn. 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 September 1, 2022 through December 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 Pendleton County Sheriff's Office did not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2021-001. The former sheriff's office lacked adequate segregation of duties over receipts, disbursements, and reconciliations. The former sheriff or his office manager received, processed, recorded receipts, prepared checks for tax distribution, and posted payments to the disbursements ledger. The former

sheriff reconciled the bank account. According to the former sheriff, due to the office having a small staff, it was very difficult to segregate duties over receipts and disbursements.

Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts and disbursements which could increase the risk that the misappropriation of assets and inaccurate financial reporting will occur and be undetected.

Good internal controls dictate that the same employee should not handle, record, and reconcile receipts and disbursements. Segregation of duties over these tasks, or the implementation of compensating controls when limited by staff, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff's office implement internal controls or segregate duties as much as possible. If these duties cannot be segregated due to a limited number of staff or a limited budget, the sheriff could implement compensating controls to offset this control weakness. Examples of compensating controls include:

- The sheriff or independent person could compare daily bank deposit to the daily checkout sheet. This could be documented by having the reviewer initial the deposit slip.
- An independent person could review monthly bank reconciliations prepared by the sheriff. The reviewer could sign or initial the reconciliation to document this review.
- To document delivery of tax payments to the taxing districts, the sheriff could have each taxing district sign and date a sheet.
- Dual signatures could be required on all checks.

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](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

