



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 Incoming Bullitt County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for incoming Bullitt County Sheriff Donnie Tinnell. 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 March 1, 2017 through April 17, 2017 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 sheriff's office lacks adequate segregation of duties over disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2015-002. The sheriff's office lacks adequate segregation of duties. This deficiency is present because one employee's duties include accepting tax payments, recording taxes paid, preparing the daily deposit for her cash drawer, reconciling the bank account, preparing monthly tax reports, preparing monthly tax disbursements, and co-signing monthly tax disbursements. The lack of oversight can result in

undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government (DLG) and taxing districts. Proper segregation of duties is essential for providing protection against 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 sheriff's office segregate duties, but if unable to implement due to lack of staff, implement compensating controls to offset this internal control weakness, such as:

- Require an employee that does not accept tax payments to prepare the bank reconciliation. The sheriff, or another employee could compare the bank reconciliation to the balance in the checkbook and reconcile any differences. The reviewer should document this oversight by initialing the bank reconciliation and the balance in the checkbook.
- Compare total tax collections per the monthly reports to the total of the monthly disbursement checks. Any discrepancies should be resolved and the review should be documented by initialing and dating the monthly reports.

Sheriff's Response: I disagree, we have a system that makes each clerk balance their drawer daily. The deposit ticket is then matched to the daily. The office manager does the reconciliation.

Auditor's Reply: Compensating controls, as mentioned above, should be implemented and documented.

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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