



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for Cumberland County Sheriff Scot Daniels. 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 April 16, 2016 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 Cumberland County Sheriff's Office lacks adequate segregation of duties over receipts and disbursements. The sheriff's bookkeeper collects payments from customers and prepares daily collection reports, deposits, and monthly tax reports. Upon completion of the monthly reports, the bookkeeper prepares and signs the checks and performs the monthly bank reconciliations. The bookkeeper also has administrative rights to the tax program used to collect

taxes. In addition, all employees use the same cash drawer for collections. According to the sheriff, this condition is a result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to.

The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts. Adequate segregation of duties would prevent the same person from having a significant role in the process and recording of receipts and disbursements.

The sheriff has implemented some compensating controls; however, they are not sufficient to mitigate the lack of segregation of duties. We recommend the sheriff continue implementing compensating controls such as periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing the daily deposits to the daily collection report and the receipts ledger, reconciling any differences. In addition, the sheriff could compare the monthly reports to the receipts and disbursements ledgers for accuracy. Compensating controls should be documented by initialing and dating the bank reconciliations, bank deposits, daily collection reports, receipts and disbursements ledgers, and monthly tax reports. Furthermore, the sheriff could assign the tax program administrative rights to an employee other than the bookkeeper and have a separate cash drawer for each employee.

Sheriff's response: Due to the size of our office it is not feasible to hire additional employees, however we will implement more internal controls.

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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