



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for former Fulton County Sheriff Robert Hopper. 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 17, 2015 through April 15, 2016 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 former sheriff's office lacked adequate segregation of duties over tax collections. A review of internal controls at the former Fulton County Sheriff's office revealed an inadequate segregation of duties over tax collections. This significant deficiency was present because one employee's duties included processing tax payments, preparing daily deposits, recording tax transactions, preparing monthly tax reports, disbursing monthly tax distributions and completing

monthly bank reconciliations with some oversight. By not properly segregating the accounting functions to account for tax collections, the risk of misappropriation of assets and inaccurate financial reporting increases.

Good internal controls dictate that certain accounting functions should be performed by more than one employee to provide reasonable assurance the financial activity is properly accounted for and accurately reported.

In order to achieve a proper segregation of duties, the former sheriff should have assigned different employees to be responsible for preparing daily deposits, disbursing tax collections, recording tax transactions and monthly bank reconciliations. If it is not feasible to segregate these duties, we recommend the sheriff's office implement and document compensating controls. All compensating controls should be documented with the date and initials of the employee performing the review.

Response of Fulton County Sheriff Robert Woods: We have implemented several procedures to eliminate these deficiencies in the future.

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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