



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for Hardin County Sheriff John Ward. 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 18, 2017 through April 16, 2018 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 receipts: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The sheriff's bookkeeper collects taxes, prepares deposits, posts to the ledgers, prepares monthly reports, and performs the bank reconciliations. There was not sufficient evidence available that would show that the sheriff or another employee periodically reviews deposits, ledgers, monthly reports, or the bank reconciliations to offset the risk caused by the lack of segregation of duties.

Without segregation of duties, the risk of misstatements in receipts due to undetected errors or theft significantly increases. Segregation of duties over receipt procedures, report preparation, and bank reconciliations is essential for providing protection from fraud or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect employees in the normal course of performing their duties, and prevent inaccurate financial reporting or the misappropriation of assets, we recommend the sheriff implement strong oversight over these areas, either by an employee independent of these functions or by the sheriff, such as:

- Compare the daily bank deposit to the daily checkout sheets and then compare to the bank deposit receipt received from the bank once the deposit has been made by others. This should be documented by initialing the total deposit sheet on the master copy of daily checkout sheets and the bank deposit receipt.
- Compare each daily checkout sheet to the master copy and document by initialing.
- Bank reconciliation balances should be reconciled to zero on a monthly basis. Large unreconciled balances should be investigated immediately. All supporting documentation for the reconciliation should be approved. The sheriff could document this by initialing the bank reconciliations.

Sheriff's Response: HCSO completes duties as responsibly as (staff with limited numbers) we possibly can.

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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