



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Jackson County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for Jackson County Sheriff Paul Hays. 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 Jackson County Sheriff's office did not segregate accounting duties:** This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The Jackson County Sheriff did not segregate the duties over receipts, disbursements, reporting, and reconciliation. The sheriff's bookkeeper collects tax payments from customers, prepares deposits and monthly tax reports. The bookkeeper also prepares the monthly payments to the taxing districts, signs checks, and performs monthly bank reconciliations.

According to the sheriff, the lack of segregation of duties within the office occurs from budget constraints which limit the number of employees the sheriff can hire.

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.

Proper segregation of duties over collecting taxes, preparing daily deposits, preparing monthly reports, and preparing disbursements is essential protection from 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 separate of duties of collecting taxes, preparing daily deposits, preparing and mailing disbursements, and preparing financial reports. If these duties cannot be segregated due to limited staff or limited budget, then strong oversight should be provided to the employee responsible for these duties and this oversight should be documented on the appropriate source documents. One example of a compensating control would be for the sheriff to review all bank activity and document the review by initialing the reconciliation.

*Sheriff's Response: Segregation of Duties is an issue that effects nearly every Sheriff's Office in Kentucky. The Jackson County Sheriff's Office has formalized compensating controls to include contracting a C.P.A. [name redacted] to review all distributions, deposits and daily settlements in comparison to all end of the month reports.*

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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