



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2017 taxes for former Letcher County Sheriff Danny Webb. 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 former 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 former sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the former sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The former 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 former Letcher County Sheriff's Office did not have adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2016-001. The former sheriff's bookkeeper collected payments from customers, prepared receipts, deposits, posted receipts to the receipts ledger, and reconciled the bank statements. The bookkeeper also prepared disbursement checks and monthly tax reports. There was not sufficient evidence available that would show that the former sheriff or another employee periodically reviewed

deposits, ledgers, monthly reports or the bank reconciliations to offset the risk caused by the lack of segregation of duties.

The former sheriff did not have controls in place to ensure that staff knew the requirements, did not monitor, or review to make sure requirements were followed. A lack of oversight could have resulted in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as Department of Revenue.

The segregation of duties over various accounting functions such as preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing 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, in order to adequately protect employees in the normal course of performing their duties, and prevent inaccurate financial reporting or misappropriation of assets, the sheriff's office should segregate duties for collecting payments, preparing deposits, posting receipts to receipts ledger, preparing disbursement checks and monthly tax reports, and reconciling the bank statements. If it is not feasible to segregate these duties due to budget limitation, the sheriff's office should implement strong oversight over these areas, either by an employee independent of those functions or by the sheriff.

Former Sheriff's Response: No Response.

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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