



Auditor of Public Accounts
Mike Harmon

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Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Former Ohio County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2022 taxes for former Ohio County Sheriff Tracy Beatty. 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 September 1, 2022 through December 31, 2022 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 finding:

The former Ohio 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 2021-001. The former Ohio County Sheriff's Office did not segregate the financial responsibilities between various individuals for the tax collection processes. The bookkeeper was required to perform multiple tasks such as deposit preparation, bookkeeping, bank reconciliations, writing checks for disbursements

and preparing the annual tax settlements. While the former sheriff tried to implement compensating controls to help mitigate these risks, these compensating controls were not effective. An October 2022 tax report documenting tax collections/obligations for a week was not signed by the former sheriff. Instead, someone forged the former sheriff's signature on the tax report and the accompanying tax distribution checks written to the taxing districts.

According to the former sheriff, the lack of segregation of duties was caused by the diversity of operations with a limited number of staff. Also, the former sheriff was unaware his signature was forged on a tax report and checks to taxing districts. A lack of segregation of duties or strong oversight increases the risk that errors and fraud could occur and not be detected.

Segregation of duties, or the implementation of compensating controls when limited by the number of staff, is essential for providing protection against the misappropriation of assets and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the sheriff's office segregate the duties noted above to the extent possible. For those duties that cannot be segregated due to a limited number of staff, we recommend the sheriff implement compensating controls that will help mitigate these risks.

Former Sheriff's Response: The lack of segregation of duties is caused by the diversity of operations with a limited number of staff which is limited also by the Sheriff's budget. As Sheriff I installed a camera system in the Sheriff's office which were intended to protect the taxpayer and to ensure that money collected was counted correctly by the Sheriff's Office staff.

Hiring extra staff in the Sheriff's Office would help limit oversights and reduce the risk of errors and fraud. This is difficult to do with a limited budget to hire extra personnel. As Sheriff I continued to monitor the collection closely on a daily basis.

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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