



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

**Contact: Michael Goins**  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
**502.564.5841**  
**502.209.2867**

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

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for Powell County Sheriff Danny Rogers. 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, 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 comments:

**Due to errors, the sheriff did not properly settle his 2015 tax account:** Due to errors made during the year, there are amounts owed back to the sheriff's tax account from taxing districts totaling \$18,977 and amounts owed to other taxing districts and the sheriff's fee accounts as shown in the table below:

| <u>Due From:</u>      |                        | <u>Due To:</u>                                   |                        |
|-----------------------|------------------------|--|------------------------|
| State                 | \$ 1,125               | School   | \$ 1,368               |
| County                | 9,732                  | Library  | 189                    |
| Health                | 4,815                  | Add-on Fees Due Sheriff's Fee Account (2016)     | 8,612                  |
| Extension             | 3,305                  | Tax Commissions Due Sheriff's Fee Account (2015) | 2,609                  |
|                       |                        | School (Overpayment of Commissions)              | 653                    |
| <b>Total Due From</b> | <b><u>\$18,977</u></b> | <b>Total Due To</b>                              | <b><u>\$13,431</u></b> |

These errors were caused by the sheriff not having procedures in place to ensure that monthly reports used to pay the taxing districts were accurate. As a result, the sheriff is required to collect and pay the amounts listed above. KRS 134.192 requires the sheriff's annual settlement be audited and that the sheriff shall annually settle his/her accounts for which the sheriff collects taxes. We recommend the sheriff collect and pay the amounts listed above as soon as possible.

*Sheriff's Response: Will try and collect from districts and disburse as soon as possible.*

**The sheriff's office lacks adequate segregation of duties:** The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities.

A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Revenue. According to the sheriff, this condition is a result of budgetary constraints that limit the number of employees the sheriff can hire or delegate duties to. The segregation of duties over various accounting functions such as opening mail, 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 the sheriff separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible due to budgetary constraints, cross checking procedures should be implemented and documented by the individual performing the procedure.

*Sheriff's Response: We will work to try to improve. However due to lack of funds it is impossible as busy as our office is to delegate duties to just one person.*

**The sheriff did not have proper controls over bank reconciliations:** The sheriff did not have internal controls in place over bank reconciliations. Good internal controls dictate that the bank statement be reconciled monthly and reviewed by a person independent of making deposits and writing checks. Bank reconciliations are a tool that can be used to determine that all deposits have been made and that taxes have been properly paid. The sheriff does not have procedures in place to ensure that the bank account is reconciled each month and reviewed. This could result in taxes being collected and not paid timely to the taxing districts.

We recommend that monthly bank reconciliations be prepared and reviewed by the sheriff to determine that all taxes collected have been paid to the taxing districts properly.

*Sheriff's Response: We are in process of preparing a new ledger in help us with being able to reconcile our tax account more efficiently.*

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](#).

###

*The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.*

*Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.*

