



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 Russell County Sheriff's Tax Settlement**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for Russell County Sheriff Clete McAninch. 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 non-compliance 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 and disbursements:** This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The sheriff's office lacks adequate segregation of duties over receipts and disbursements. The sheriff's bookkeeper collects tax payments from customers, prepares daily tax collections journals, and prepared 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, a limited budget placed restrictions on the number of employees the sheriff could hire. When faced with limited staff, strong compensating controls should be in place to offset the lack of segregation of duties. 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 tax collection journals, 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 course of performing their daily responsibilities.

We recommend the sheriff segregate duties over receipts and disbursements. To adequately protect against misappropriation of assets and inaccurate financial reporting, the sheriff could separate duties involving the collections of taxes, preparation of tax collection journals, preparation of monthly reports, and preparation of bank reconciliations. If due to limited staff, that is not feasible, strong oversight over these areas should occur and involve an employee that is not currently performing any of those functions. Additionally, the sheriff could provide this oversight and document it on the appropriate source documents.

*Sheriff's Response: The sheriff did not provide a 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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