



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2016 taxes for Todd County Sheriff Tracy White. 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 sheriff's office lacks adequate segregation of duties over receipts and reconciliations: This is a repeat finding and was included in the prior year audit report as Finding 2015-002. The Todd County Sheriff has not implemented a proper segregation of duties over the account processes for collecting tax receipts and preparing reconciliations. The bookkeeper is responsible for collecting money from customers, preparing the daily checkout sheets, preparing the daily deposits, recording receipts to the ledgers, and preparing monthly reports. The bookkeeper was

also the only person responsible for preparing ledger and bank account reconciliations, which were not reviewed or approved by the official or a designee.

According to the sheriff, the lack of segregation of duties is due to not having enough employees in the office to be able to separate the normal duties amongst different staff. The sheriff indicated this is due to the limited amount of budgeted funds available to the sheriff's office.

A lack of segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government or taxing districts.

Segregation of duties or the implementation of compensating controls, when needed because staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and misappropriation of assets.

We recommend the sheriff segregate the duties over receipts and reconciliations in order to adequately protect employees in the normal course of performing their duties and to help prevent misappropriation of assets and inaccurate financial reporting. If the sheriff cannot segregate duties, we recommend the sheriff implement compensating controls over these processes to mitigate the risks.

Sheriff's Response: The Todd County Sheriff's Office does not have sufficient funds to hire additional bookkeeper(s). Compensating controls have been placed to assist in avoiding this issue. This will be done for receipts and disbursements.

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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