



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 Casey County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for Casey County Sheriff Jerry Coffman. 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 comment:

The Casey County Sheriff's Office lacks adequate segregation of duties over receipts. The sheriff's bookkeeper and another office employee both collect payments from customers, prepare daily payment journals, and prepare daily deposits. Both performed the majority of the receipt functions with little or no oversight. The daily payment journals were initialed by the employee that prepared it. There was little or no evidence of further review.

The sheriff did not provide strong oversight over receipts, thus resulting in the lack of segregation of duties. The lack of oversight could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts. A segregation of duties over various accounting functions such as collecting cash, preparing deposits, or the implementation of compensating controls, when needed because the number of staff is limited, 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. Due to a lack of sufficient compensating controls, we consider this to be a material weakness.

To adequately protect against misappropriation of assets and inaccurate financial reporting, the sheriff could separate the duties involving collecting and depositing of cash. If, due to a limited number of staff, that is not feasible, the sheriff can provide strong oversight over these areas and involve an employee not currently performing any of these functions. Additionally, the sheriff could provide this oversight. All compensating controls should be documented on the appropriate source document.

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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