Auditor of Public Accounts
Mike Harmon

Harmon Releases Audit of Cumberland County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2018 taxes for Cumberland County Sheriff Scot Daniels. 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 17, 2018 through April 15, 2019 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 Cumberland County Sheriff's Office lacks adequate segregation of duties over receipts, disbursements, and reconciliations: The sheriff's office lacks segregation of duties over receipts and disbursements. The sheriff's bookkeeper opens the mail, collects payments from customers, and prepares daily collection reports, deposits, and monthly tax reports. Upon completion of the monthly reports, the bookkeeper prepares and signs the checks and performs the monthly bank reconciliations. The bookkeeper also has administrative rights to the tax program used to collect

taxes. In addition, all employees use the same cash drawer for collections. The sheriff has implemented some compensating controls to offset the deficiency but they are not sufficient.

The sheriff has failed to segregate incompatible duties. According to the sheriff, this condition is a result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties between. A 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. Inadequate oversight could lead to inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in the processing and recording of receipts and disbursements. The sheriff can implement additional oversight when duties cannot be segregated.

We recommend the sheriff segregate duties over accounting functions. If segregation of duties is not feasible due to lack of staff, we recommend the sheriff continue to enforce the compensating controls already in place and implement additional reviews to offset the significant deficiency.

Sheriff's Response: We will continue compensating controls.

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.

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