



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

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2015 taxes for Hardin County Sheriff John Ward. 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 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. The bookkeeper did not print master reports for all daily tax collections. The bookkeeper did not compare each employee's daily deposit ticket to the employee's daily printout or master report. Mortgage deposits were made without any supporting documentation. Off-site collections were done without any documentation of collections.

Each employee is responsible for preparing a daily deposit ticket and comparing to the daily checkout sheet. The bookkeeper is responsible for comparing each employee's deposit to that employee's daily printout, and also printing a master copy for all daily collections and agreeing to the total amount deposited daily. There was not sufficient evidence available that would show that the bookkeeper compared the employee's daily deposit ticket to the daily checkout sheet or printed a master copy for all daily collections and agreed the total amount deposited daily. There was no evidence that each daily deposit ticket was compared to the daily checkout sheet prior to being delivered to the bank. When the sheriff's office conducted off-site collections, there was no evidence that supported the daily collections.

The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

The sheriff's office should comply with KRS 64.840, which states “. . .all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer, if the fine, forfeiture, tax, or fee is paid: (a) [i]n cash; (b) [b]y a party appearing in person to pay; or (c) [b]y check, credit card, or debit card account received through the mail, if the party includes an addressed, postage-paid return envelope and a request for receipt. . .”

To adequately protect employees in the normal course of performing their duties, and prevent inaccurate financial reporting and misappropriation of assets, we recommend the sheriff implement strong oversight over these areas, either by an employee independent of those functions or by the sheriff, such as:

- The bookkeeper should compare each employee's deposit ticket to their daily printout and compare each deposit ticket to a master report for all daily tax collections prior to the deposit being taken to the bank. The bookkeeper could document this by initialing the supporting documentation and initialing the deposit receipt.
- A printout of mortgage payments should be maintained and compared to the mortgage deposit.
- A list of daily collections should be maintained when the sheriff is conducting off-site collections.

Sheriff's response: The sheriff did not respond.

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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